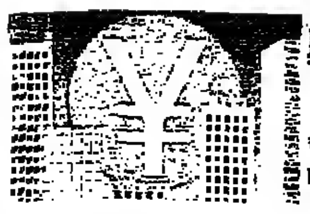

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The nightmare is over – or is it?
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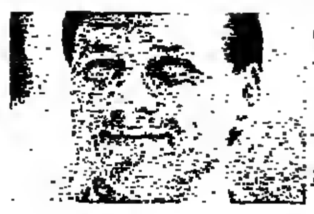

Trouble in Italy
What future for Berlusconi?
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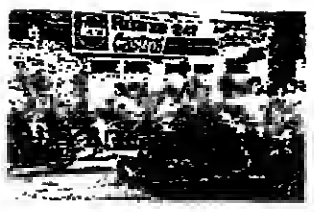

Slippery slope
Castrol makes a name in Vietnam
Page 7

Central Asia
Post-colonial identity crisis
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY, JULY 28 1994

Tighter security urged after London bombings

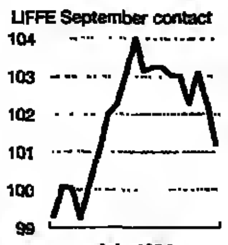
Israel yesterday urged governments around the world to step up security after two bomb attacks in London heightened its concerns about a global terrorist campaign against Jewish targets. Britain introduced around-the-clock armed police surveillance on more than 100 prominent Jewish sites. Page 12

British Telecommunications should be allowed to offer video-on-demand and home shopping on a UK "electronic superhighway" before the end of the decade, a parliamentary committee urged. *Lex, Page 12; BT results, Page 20*

BAT Industries, UK-based tobacco and financial services group, announced a 5 per cent rise in half-year pre-tax profits to £948m ($1.47bn). It said the tobacco industry had been subjected to "unprecedented propaganda" in the US. Page 13; Lex, Page 12

Cool reception for UK gilts auction

Long gilt future



Source: FT Graphite

UK government bonds fell sharply after a lukewarm reception for the Bank of England's latest gilt auction and amid rumours that UK interest rates would start rising soon. The Bank's sale of £2bn ($3bn) of the 6.25 per cent gilt due 2010 – the first long-dated, conventional gilt to be auctioned since January – was seen as a test of market sentiment, and some traders were disappointed to see that the auction was covered just 1.29 times by investor applications. Late selling of futures pushed prices sharply lower. Details, Page 17; Lex, Page 12

Euro Disney, troubled leisure group, announced a net loss of FFr546m ($102m) for the third quarter ending June, but said operating losses had been cut sharply during the period from FFr381m to FFr194m. Page 13; Walt Disney, Page 16

Thai rail project delayed: The Thai government postponed construction of a $1.5bn elevated railway system, planned to be the first in Bangkok. The contract had been awarded to a joint venture between Siemens of Germany and Italian-Thai Development, leading Thai construction company. Page 12

N Korea N-warheads claim: North Korea has developed five nuclear bombs and plans to build more, according to the son-in-law of the country's prime minister. Page 4

US-Canada trade tensions rise: A farm trade battle between the US and Canada came closer as trade ministers from both countries again failed to settle their dispute over Canadian wheat sales in the US. Page 4

Packaging levy urged: A £100m ($155m) levy on packaging – to be paid by manufacturers but passed on to consumers – was proposed to fund a UK scheme to recycle packaging waste.

Coffee crop damage: Coffee futures prices rose in London and New York after Brazil's industry and commerce ministry estimated that recent frosts in the country had destroyed more than 40 per cent of next year's coffee crop. Page 22

Boost for Wales: A Japanese-German joint venture to make television components, involving Nippon Electric Glass and Schott Glaswerke, and with a planned investment of nearly £200m ($304m), is to be set up at Cardiff Bay, Wales. Page 6

Turkish minister quits: Turkish foreign minister Hikmet Cetin, upset over newspaper reports that he was to be dismissed, resigned, clearing the way for a cabinet reshuffle.

Bosnia convoy hit: Two British soldiers belonging to a UN convoy and a Bosnian civilian were wounded when it came under fire near Sarajevo. Bosnian Serbs are thought to have launched the attack.

British women lose extradition battle: Susan Hagan, 47, and Sally Croft, 44, were flown from Britain to the United States after losing a lengthy battle to avoid extradition. They face trial on charges of conspiring to kill Oregon state attorney Charles Turner in 1985 when they belonged to the Bhagwan Shree Rajneesh religious cult.

Gunmen kill eight: Eight people, including a couple and five of their children, were killed by gunmen in two attacks in the KwaZulu-Natal province of South Africa.

STOCK MARKET INDICES

FT-SE 100:	3,082.3	(-34.9)
Yield	4.06	
FT-SE Eurotrack 100	1,370.08	(-21.62)
FT-SE-A All-Share	1,544.66	-0.8%
Nikkei	20,137.23	(-208.14)
New York: lunchtime		
Dow Jones Ind Ave	3,723.71	(-11.97)
S&P Composite	451.98	(-1.38)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.563%
Long Bond	84⅞
Yield	7.602%

LONDON MONEY

3-mo Interbank	5⅜%	(5¼%)
Liffe long gilt future:	Sep 101⅛	(Sep 102⅞)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$17.92	(17.585)

GOLD

New York Comex (Aug)	$387.7	(387.1)
London	$388.4	(386.3)

STERLING

New York lunchtime:		
$	1.53225	
London:		
$	1.5309	(1.5259)
DM	2.4125	(2.4208)
FFr	8.2448	(8.2636)
SFr	2.0468	(2.0561)
Y	150.039	(149.533)
£ Index	78.6	(same)

DOLLAR

New York lunchtime:		
DM	1.57475	
FFr	5.3845	
SFr	1.33425	
Y	98.375	
London:		
DM	1.576	(1.5865)
FFr	5.3858	(5.4158)
SFr	1.337	(1.3475)
Y	98.01	(98.0)
$ Index	63.1	(63.2)

Tokyo close Y 98.03

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.20
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Prime minister's brother to answer corruption charges ■ Lira and equities fall

Arrest warrant hits Italian markets

By Robert Graham in Rome

The issuing of an arrest warrant on corruption charges against Mr Paolo Berlusconi, the younger brother of Italy's prime minister, provoked extreme nervousness on financial markets yesterday about the future of the Berlusconi government.

The country was swept by rumours that Mr Silvio Berlusconi, the prime minister, was ready to resign. Although the prime minister's spokesman denied the rumours, the lira fell below its psychological floor of L1,000 against the D-Mark to L1,005 in late trading.

The Milan bourse fell 2 per cent, almost the same amount as the previous day, and dealers marked down prices of government bonds as foreign investors continued to reduce their exposure.

In parliament, opposition and some government members called for an emergency debate on the growing confrontation between the right-wing coalition and the judiciary, headed by the anti-corruption magistrates in Milan. The prime minister's Fininvest media empire is at the centre of their investigations.

Mr Massimo D'Alema, the newly elected leader of the former communist Party of the Democratic Left (PDS), the main opposition grouping, claimed the government was at a turning point. He warned there would be crisis unless Mr Berlusconi was able to separate clearly his role as prime minister from that as owner of Fininvest.

After a day of uncertainty over his whereabouts, lawyers for Mr Paolo Berlusconi last night said he would hand himself over to answer charges of paying L330m ($208,000) in bribes to officials of the Guardia di Finanza, the financial police, who have been inspecting the Fininvest company books.

Mr Salvatore Sciascia, the head of Fininvest's tax department, admitted on Monday to handling such payments but claimed the money and authority to pay the bribes had come from Mr Paolo Berlusconi.

Milan magistrates in signing the arrest warrant said he should be held in detention because there was a risk of tampering with evidence. They cited as significant the meeting held on Sunday by Mr Silvio Berlusconi at his villa near Milan attended by his close government aides who were all formerly linked to Fininvest.

It also emerged yesterday that Mr Paolo Berlusconi was at this meeting, which has provoked a row over the conflicting roles of Mr Silvio Berlusconi as prime minister and his continued ownership of Fininvest.

Mr Berlusconi sought to put a brave face on his difficulties. At one stage he told correspondents who asked him about his brother: "I don't want to concern myself with these things ... But I can tell you that if all the companies were run like Fininvest, there wouldn't be any problems of public morality in Italy."

An opinion poll published yesterday commissioned by the state broadcasting organisation's main radio station, revealed that 70 per cent of those who voted in March for Mr Berlusconi and his Forza Italia movement would still vote the same way today. The one third who had lost confidence in him spread their preferences fairly evenly, with most seeking to retain their vote within the right-wing coalition partners.

Mr D'Alema, the PDS leader, said yesterday: "We see a very confused situation with substantial divisions among the coalition partners, and an indecisive government. We also see the question of conflict of interest which was reportedly put to one side, coming to the fore every day as an impediment to the government's ability to conduct normal business."

Berlusconi besieged, Page 2
Editorial Comment, Page 11

Brussels agrees aid for French and Greek air carriers

By Emma Tucker in Brussels and John Ridding in Paris

The European Commission yesterday formally cleared the way for the French and Greek governments to rescue their beleaguered state airlines from collapse through big capital injections, prompting dismay among Europe's private airlines.

British Airways, the private UK carrier, said it was considering challenging a decision to allow a FFr20bn ($3.7bn) payment to Air France in the European Court of Justice. Dr Brian Mawhinney, the UK transport minster, said the decision would "distort competition in European aviation and work against the interests of all European consumers".

The Commission also approved a rescue plan for Greece's Olympic Airways, involving a capital injection of Dr54bn ($228m) of state funds. The decision, seen as a test case in Europe's efforts to liberalise air transport, comes in spite of a commitment by EU governments to create a fair and open single market.

The French government expressed satisfaction with the decision. It follows a humiliating climbdown by Paris last year after a strike at the state-owned airline. Approval of the capital increase was a central element in winning staff support for the restructuring package drawn up by Mr Christian Blanc, the chairman.

Mr Bernard Bosson, the French transport minister, said Commission conditions attached to the decision, were balanced. "They do not impose any unjustified constraints on the national carrier," he said.

However, Sir Michael Bishop, chairman of British Midland, said he found it "quite extraordinary that the Commission can allow Air France to receive a sum almost equal to the total losses made by all of the world's airlines in 1993".

Sir Colin Marshall, the chairman of British Airways, said there was "no justification for a subsidy of this size and the conditions imposed are wholly inadequate. Air France is once again being protected from the forces of competition."

Mr Marcelino Oreja, the transport commissioner in Brussels, said the aid, together with conditions, would ensure that the company was viable and fit for privatisation by the end of the three-year restructuring.

But Air France said the capital injection approved by Brussels was a necessary but not sufficient condition for recovery. "We have to push ahead with our restructuring plan quickly," said a spokesman.

The plan aims to raise productivity by 30 per cent by 1997, cut

Continued on Page 12

A Moscow policeman tries to calm worried shareholders outside the offices of the pyramid-selling share company MMM yesterday. Panic set in among the 10 million shareholders after the company stopped buying back its shares, raising fears it might collapse. Russians riot as share pyramid totters, Page 2 Reuter

AZT cuts risk of HIV babies, studies show

By Paul Abrahams in London

Transmission from mother to child of HIV, the virus which causes Aids, can be significantly reduced by giving them AZT, Wellcome's controversial drug, according to the results of two independent trials to be presented today to US regulators.

The studies, showing AZT can cut transmission rates by up to 67.5 per cent, will be put before the anti-viral drugs advisory committee of the US Food and Drug Administration. The committee must decide whether to recommend the drug for use on infants.

The trials' results are a boost for the reputation of AZT. This was tarnished following last year's Anglo-French Concorde trial which questioned the effectiveness of the drug in HIV-positive people who did not have Aids symptoms.

The larger trial, conducted in the US and France, involved 477 HIV-positive women, of whom 364 finished the study. About half were given AZT at between 14 and 38 weeks of pregnancy. The drug was also administered intravenously to the mothers during delivery and to the infants for six weeks after birth. Of the 180 women given AZT, only 13 of their children were HIV-positive. That compared with 40 children from the 184 mothers who were not given the drug.

Although AZT has a reputation for being toxic, the trial indicated that there were no statistically significant foetal malformations or non-reversible side-effects.

The study's authors said they were continuing to monitor the children for adverse effects. Similar results were shown in a study of 63 women in Los Angeles.

The trials' conclusions will raise significant public health issues. The Center for Disease Control, the Atlanta-based US government organisation, is expected to use next month's Yokohama International Aids conference to recommend universal, though not mandatory, screening for HIV among pregnant women.

Organisers of the conference expect the trials to be the most important and controversial studies presented there. Health authorities will have to decide what should be done when

Continued on Page 12

Ford profits surge as US sales grow

By Kevin Done, Motor Industry Correspondent, in London

Ford of the US, the world's second largest vehicle maker, exceeded market forecasts and more than doubled its net profit in the second quarter to a record $1.71bn from $775m in the same period a year ago.

The profits of the big three US carmakers are rising sharply, helped by the strength of the US market and the start of recovery in Europe. Chrysler recently announced record quarterly earnings and General Motors is expected to report a big jump in profits today.

Ford's group net profit in the first six months virtually doubled to $2.62bn from $1.35bn in the same period a year ago, while turnover increased 14.2 per cent from $56.2bn to $64.2bn. The net profits of its worldwide automotive operations quadrupled in the first six months from $571m to $2.14bn.

In the second quarter Ford's automotive operations tripled net profits to $1.18bn from $395m a year ago. The after-tax return on automotive sales jumped to 4.2 per cent from 1.7 per cent a year ago.

Net income from Ford's US automotive operations rose in the quarter to $907m from $367m. Automotive earnings outside the US increased to $276m from only $28m a year earlier, helped by a return to profit in Europe.

Ford's financial services group, one of the most profitable financial services companies in the world, earned a record $528m in the second quarter, against $380m last year.

Group turnover worldwide in the second quarter rose 15 per cent from $29.4bn to $33.8bn, while Ford vehicle sales rose 8.1 per cent to 1.81m.

Mr Alex Trotman, Ford chairman and chief executive, said: "We feel good about these improvements, but we are by no means satisfied."

The group, which has launched a reorganisation programme aimed at merging its North American and European automotive operations into a single unit by the end of the year, had to remain focused on improving its return on sales, he said.

The sharp rise in profits at Ford, which suffered big losses in 1991 and 1992, is being supported by growing demand for new vehicles in the US, where overall sales of cars and light trucks jumped 11 per cent in the first half of the year to 7.756m.

Ford forecast yesterday that total US car and truck sales in 1994 would rise about 9 per cent to 15.5m from 14.2m last year.

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BMW advances, Page 14

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NEWS: EUROPE

Brussels paves way for wider Europe

By Lionel Barber in Brussels

The European Commission yesterday egreed on further measures to accelerate the integration of central and eastern Europe into the European Union, including changes in the Common Agricultural Policy and a possible softening of anti-dumping measures against cheap imports.

The proposals are intended to give an unambigous signal that the EU is serious about building a "wider Europe". The goal is to submit a substantial package of measures to tbe European summit in Essen in December.

Sir Leon Brittan, chief EU trade negotiator, said the Commission paper offered faster liberalisation of East-West trade, greater financial aid, as well as practical steps to allow the central and east Europeans to adopt progressively tha Union's economic and legal system.

"What we seek to do is to strengthen political links and create the economic conditions which will hring closer the day when tbese countries can become full members of the European Union," he said.

The paper is the result of a wide-ranging review of trade, aid, competition policy and the operation of the CAP toward the six "associate" EU member states: Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania.

Among the main proposals are:

- A timetable for harmonising legislation and technical rules to achieve common European standards covering eacb EU aspirant.
- A single authority in each associate country to monitor and control state aid, and to prepare an inventory of state aid with the Commission. "The Union could [then] decide to reduce progressively the use of commercial defence instruments for industrial prodncts," says the Commission.
- A pledge to inform any associate member before launching anti-dumping or safeguard clauses against cheap imports. The Commission favours "a clear preference to price undertakings rather than anti-dumping duties" at the end of its investigation.
- Though carefully worded, a pledge to review the EU's farm exports to eastern Europe "to address any serious imbalance in East-West trade". The paper notes that eastern farm exports, particularly livestock, slumped from a surplus of Ecu960m in 1990 to a deficit of Ecu433m ($520m) in the first 11 months of 1993.
- An overhaul of the Phare ald programmee which has pumped more than Ecu1bn of technical aid into eastern Europe over the past four years. Officials want multi-annual programmes, and an end to the condition that no more than 15 per cent of the Phare budget can be devoted to fund trans-European networks, the huge road and rail programmes linking east and west.

Tbe Commission also believes the funding for the EU's programme to aid eastern Europe should be guaranteed over the next five years. Commission sources said an unpublished annexe to tbe report estimated tbat tbe five-year budget should be for Ecu7bn compared witb about Ecu5.5bn over the last five years.

- Speeding up trade concessions to Bulgaria and Romania to bring them into line with the other east European countries. Sofia and Bucharest would be granted free trade in industrial goods by 1995, in steel by 1996 and in textiles by 1997 – in eacb case about one year earlier than originally foreseen.

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Robert Graham watches the Italian prime minister lurch from crisis to crisis

Berlusconi besieged on all fronts

For Silvio Berlusconi even a day is beginning to look like a long time in Italian politics.

The media magnate turned prime minister is stumbling from crisis to crisis at bewildering speed. A week ago his credibility as a political leader was in question. Now the fate of his 10-week-old government is at stake.

Besieged on all fronts, Mr Berlusconi is hanging on to power only because the opposition is weak and no one inside or outside his right-wing coalition government has come up with an alternative.

The judiciary may yet force his hand as it digs deeper into his Fininvest media empire. The arrest warrant issued yesterday for his younger brother, Paolo, on charges of paying bribes to the Guardia di Finanza, the financial police, to settla tax inspections in key companies belonging to the Fininvest group has brought the law perilously close to the prime minister.

Mr Paolo Berlusconl is alleged to have approved payments of L330m ($208,340) to be handed over to members of the Guardia di Finanza between 1989 and 1992 to ensure friendly inspections.

Mr Berlusconi's 42-year-old hrotber has faced corruption charges before. In February he was arrested and admitted to paying some L1bn in bribes on property sold to the pension fund of Cariplo, the Milan savings bank. He has already been sent for trial on another charge related to hribes paid on waste treatment contracts.

The previous charges related to construction business operations which Mr Paolo Berlusconi has handled since the early 1980s and which were formally hived off to him two years ago. The new charges concern core Fininvest companies in publishing, television programme-making and life assurance. Although Mr Silvio Berlusconi began to withdraw from daily management of Fininvest last autumn he did not step down as chairman until January, when he announced his entry into politics.

In the public eye Mr Paolo Berlusconi has always been seen as the faithful servant of his high-profile elder brother. Even after Mr Silvio Berlusconi transferred his newspaper publishing interests to him for anti-trust reasons, he still called the shots. In the present circumstances, the problems of his brother will inevitably reflect upon him.

Mr Berlusconi has sought to portray the investigation into Fininvest as a vendetta conducted by Milan magistrates who have exceeded the bounds of their authority. The anti-corruption magistrates have undoubtedly behaved politically – most notably when they threatened to resign on July 14 over the government'a introduction of a controversial decree restricting their powers of preventive detention. They have also abused these powers of preventive detention to extract confessions.

But their inquiry into the activities of the Guardia di Finanza in Lombardy cannot be seen as aimed solely at Fininvest. It is a huge investigation designed to demonstrate that in a system where companies paid out (willingly or unwillingly) large sums to secure contracts and to keep the politicians happy, these moneys had to be accounted for in company balance sheets.

So far more than 50 prominent businessmen, accountants and tax experts have been arrested as well as more than 20 members of the Guardia di Finanza. Three members of the corps have committed suicide in the past month.

Brothers in tronble: Paolo Berlusconi and prime minister Silvio (behind). Paolo has faced corruption charges before.

Mr Berlusconi has found cross-party support in his worries about a confrontation between the executive and the legislature on the one hand and the judiciary on the other. The opposition ex-communist Party of the Democratic Left (PDS) was even critical of the Milan magistrates' threat to resign over the preventive detention decree.

But his position has been seriously undermined by the patent conflict of interest. The prime minister cannot attack the Milan magistrates and appear disinterested. Matters have been made worse hy the ill conceived meeting he held at his Arcore villa near Milan on Sunday.

Present as "friends" were Mr Gianni Letta, former deputy chairman of Fininvest and currently his chief of staff; Mr Ceseare Previtti, his former Fininvest lawyer and now defence minister; Mr Fidele Confalonieri, the chairman of Fininvest; his brother Paolo and, at least for part of the time, the latter's lawyers along with the lawyer of the head of Fininvest's tax department against whose client an arrest warrant was outstanding.

Conflict of interest lies at the heart of the present crisis as it limits the credihility of almost every action by Mr Berlusconi. Is be seeking to belp Italy or protect himself when he seeks to reform the RAI, the state broadcasting corporation? Is he trying to guarantee individual rights or insulate his friends and family when be introduces a decree on preventive detention? Was the meeting at Arcore a harmless Sunday gathering of old cronies or a council of war involving key ministers directed against the Milan magistrates?

It is argueably too late to undo the damage and achieve a satisfactory separation of his ownership of Fininvest from his role as prime minister. His TV interests are too interwoven with those of RAI to permit any sale withont a concurrent reform of the entire system of Italian TV.

In the short term he can survive as early elections suit nobody. The opposition is weak and undecided. The PDS has just acquired a new leader, Mr Massimo D'Alema, who has yet to establisb himself within his own party. The PDS is divided between those who want to see Mr Berlusconi even more thoroughly discredited (and so politically finished) and those who want to cut a deal with the populist Northern League of Mr Umberto Bossi.

A PDS-League alliance backed by former Christian Democrat depnties in the centre could form a government. But the PDS is wary of the League as an ally. The League meanwhile is pretending to be loyal to Mr Berlusconi, anxious to avoid being seen as catalyst for bringing down the government.

This suggests the government will try to limp through until the summer break and then hope for a change of a fortune in the autumn: a bleak scenario at best and profoundly unsettling for the financial markets.

Quick comeback for former chief of Iri

Mr Michele Tedeschi, former chief executive of Iri, the state holding, was brought back yesterday in a surprise move to head the hnge gronp that has debts of over L70,000bn ($44.4hn), writes Robert Graham in Rome.

The appointment came after intense political wrangling among the main partners in the right-wing coalition government that bas delayed a choice for almost two months. It represents a technocratic compromise which will give an important signal of the Berluscoui government's commitment to privatise as mncb of Iri's diversified activities as possible.

The 44-year-old Mr Tedeschi returns to Iri after only 14 months absence to replace Prof Romano Prodi, who resigned in May when the Berlusconi government took office. Mr Tedeschi was appointed to act as chief executive in 1992 when Iri was converted into a public company with the Treasury as single shareholder.

Mr Tedeschi returns as chairman, heading a six-man board that includes Mr Mario Draghi, director-general of the Treasury, who has played a key role over the past 18 months while the holding bas begun to sell off bank interests.

He comes from being managing director of Stet, the national telecoms utility. His choice should help rationalise the management of the fast-changing Italian telecommunications husiness. Only yesterday the complex merger was signed bringing together five elements in Iri's telecom interests to form Telecom Italia.

Russians riot as share pyramid begins to totter

John Lloyd assesses the impact of the MMM crisis

The threatened collapse of a pyramid selling share company in Moscow is pitting the newly awakened forces of consumerism against the widely distrusted Russian anthorities, calling into question the self-image of post-Soviet man and causing riots in Moscow and St Petersburg.

MMM, a company which, since the beginning of this year has promised, and to many delivered, wealth through the simple purchase of shares – whose face value has risen from Rbs500 to over this past weekend Rbs115,000 – as far as is known owns nothing and invests in nothing. The "shares" are quoted on no exchange, and rise by fiat of MMM and its director, Mr Sergei Mavrodi. It is a financial pyramid and it appears to have reached its apex.

The shares were promoted in television campaigns. Created by Mr Bakhyt Kilibayev, a Kazakh film director, they feature the working class Golubkov family which enriches itself through MMM. From modest beginnings, the Golubkovs rise to the possibility of a Parisian holiday – "after all, why not?" says Lenya (Leonid) G to his wife Marina Sergeyevna, in a phrase which has become a slogan of the times.

The "high ups" began to rumble disapproval. Mr Yeltsin said recently "Lenya is getting on my nerves" – a reaction which the daily Izvestiya said insulted the millions of Lenyas who wanted a little of the good life that the president had secured for himself.

Last Friday – a black one for MMM – a triple salvo was fired from the finance ministry, the anti-monopoly ministry and the tax inspectorate, alleging widespread abuses by MMM both centrally and in two Russian cities, and non-payment of nearly Rbs50bn in taxes.

MMM's reaction was instant and incandescent. Mr Sergei Brisb, an MMM apokesman, said the company was not liable for taxes – and that documents called for by the government had been prepared and despatched in a van to the tax department but were unfortunately stolen en route.

In outraged letters pnblisbed in the press, Mr Mavrodi took up the loftiest of ground. The "high-ups", he said, did not like popular enrichment. If the "high-ups" were against them, then they would rise against the authorities to start a revolution of shareholders.

The shareholders are beginning to revolt, but not yet against the government. They want their money. Immediately after the flurry of government warnings, the black market price for MMM shares – selling at the end of last week for Rbs105,000 – dipped to Rbs40,000.

MMM closed most of its 60 Moscow and 76 regional buying and selling points – hut took advertising space to claim the difficulties were temporary and the share price would be hiked up to Rbs115,000 – and on Monday opened up again and appeared to calm the gathering panic, as the black market price soared once more.

But on Thursday, it dipped again and the selling points closed. Crowds began gathering at No.26 Varshavskoe Chaussee in southern Moscow – the only point where shares could be sold – and round the MMM branch office in St Petersburg. By yesterday evening, some 10,000-15,000 people were gathered round the Varshavskoe office, and MMM had called for riot police.

The crowd was indeed aroused: at the front, there was pushing against the police lines and evident anger. Said one shareholder, Mr Vassily Karpov – a pensioner – "I bought 20 sbares three months ago when they cost Rbs28,000 and I was going to take a holiday in Sochi [on the Black Sea]. It's all I have." However, anotber, Ms Elena Truvin, said: "I think most of us still support MMM because they haven't let us down. The government did all this by their stupidity."

Of Mr Mavrodi nothing is known. MMM released a statement yesterday saying that its points would re-open as soon as the police could guarantee the safety of the money delivered to them.

In the weekly Sovershenо Sekretno an anonymous psychologist opined that Lenya Golubkov had changed the image of the average Russian from that of an obedient worker to an Oblomov – the bero of Goncharov's 19th century novel, who spends all day on a couch dreaming of wealth but incapable of earning it.

French PM casts more watchful eye on EU laws

By David Buchan in Paris

Prime Minister Edouard Balladur has told his ministers and diplomats that France should try to delay decisions on any European Union legislation until its national parliament has pronounced on it.

Mr Balladur's initiative has come in the form of a recent circular to all Frencb civil servants.

It is a further sign of his determination to step up the defence of Frencb interests in the EU – following gains by anti-Maastricht parties in last month's European parliament elections.

According to French parliamentary officials, French ministers and diplomats in future will behave more like their UK counterparts in Brussels, rather than the Danes.

UK representatives frequently "reserve" their position in debates in the Council of Ministers pending "scrutiny" of issues by the House of Commons. Danish ministers, bowever, are formally bound by their parliament, in decisions on EU legislation.

Nevertheless, Mr Balladur's circular of July 18 could delay decisions by tbe Council of Ministers. This would reverse the traditional French priority for speed and efficiency over democracy in EU law-making.

The circular says ministers and officials must check whether the French parliament intends to pass a resolution on a draft EU law due for debate at EU Council meetings, and if so, France will try to get the item bounced off the Council agenda.

Last montb the French employment minster was criticised by French MPs for approving the EU directive on works councils before parliament had time to have its say.

The French National Assembly is handicapped, as it is a part-time legislature, sitting only half the year, while the only month EU Council meetings are not held is August. But the Assembly bas a 36-member EU affairs committee that sits more regularly.

Mr Balladur has also decided to become the first French prime minister to chair the government's inter-ministerial committee on European issues.

In addition, Mr Alain Lamassoure, his EU affairs minister, has instituted regular monthly meatings witb France's 87 MEPs.

They are now scattered among seven different groups at Strasbourg. Oblivious to the fact that these groups are created precisely to reflect MEPs' differing ideologies rather than nationalities, the government worries that fragmention of the country's Euro-representatives means "France's voice" will not be properly heard at Strasbourg.

In line, too, with his reversion to the old Gaullist dictum that European Commissioners are essentially technocrats to be kept under ministers' political control, Mr Balladur is contemplating nominating a senior official, Mr Yves-Thibault de Silguy, to the Brussels executive.

Brussels treads water on labour policy

By David Goodhart, Labour Editor

The European Commission drew back from recommending any new EU-wide labour laws in a white paper on social policy it published yesterday.

The paper, introduced hy social affairs commissioner Mr Padraig Flynn, contained no specific legislative proposals, but it will shape the EU social and employment policy debate until the year 2000.

In attempting to negotiate a path between the enthusiasts for European-level social policy and the sceptics, led by the UK government, the white paper will disappoint many on both left and right.

Ms Pauline Green, leader of the dominant Socialist group in the European parliament, said she welcomed the "firm commitment to ongoing social policy at European level but we are disappointed that there will be no new initiatives to safeguard and support working people".

The UK government said tbe white paper did not place sufficient empbasis on labour market flexibility.

The white paper noted the strong desire of all member states to proceed as 12 wherever possible and it hopes that Union social policy action will once again "be founded on a single legal framework". Mr Flynn added yesterday that the European Union's inter-governmental conference planned for 1996 sbould consider ending the UK "opt-out".

There is, bowever, much that will appeal to the UK and other governments with reservations about social regulations. There is a stress on leaving more decisions in this field to national governments, on switching from passive to active labour market assistance, and ahout balancing decent working conditions witb sufficient labour market flexibility to create jobs.

The paper says that greater empbasis must be placed on improving joh mobility within the EU and on implementing social directives. Italy has implemented only 57 per cent of the relevant legislation, compared with 92 per cent in Britain and Portugal (see table).

Above all, the paper stresses that "givan the solid base of European social legislation that has already been achieved, the Commission considers that there is not a need for a wide ranging programme of new legislative proposals in the coming period".

But the paper is not without hope for the many strong supporters of expanding social legislation within the EU. "The pursuit of high social standards should not be seen only as a cost but also as a key element in the competitive formula", it says.

EUROPEAN NEWS DIGEST

IMF and Kiev in reform link

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday announced plans for unprecedented co-operation between the new Ukrainian administration and the IMF in drawing up an economic reform programme for Ukraine. After meeting the recently elected President Leonid Kuchma in Kiev, Mr Camdessus said the IMF and the new Ukrainian administration would "put all of our energies" into the joint writing of the programme in the next two months. Close co-operation with the IMF could secure the swift issue of the first tranche of a $700m (£451.6m) IMF loan, opening the door to the $4bn package promised to Ukraine at the Naples summit earlier this month.

Although an agreement is not guaranteed, IMF and Ukrainian officials are expected to develop a programme to keep monthly inflation down to single digits, reduce the budget deficit (estimated to run at 30 per cent of GDP this year), end excessive monetary emissions and liberalise prices. "Wa're talking of a far-reaching programme," Mr Camdessus said. He cautioned, bowever, that this kind of programme would require "ambition," an attempt to encourage Mr Kuchma in what observers expect will be a bitter struggle with Ukraine's conservative parliament. *Jill Barshay, Kiev*

'PVC cartel' fines reimposed

The European Commission yesterday reimposed fines on 12 chemicals companies for an alleged plastics price-fixing cartel during the early 1980s. The move followed a decision last June by the European Court of Justice in Luxembourg to overturn fines previously imposed to punish a cartel in polyvinyl chloride (PVC). The court threw out the fines because of translation differences between the German, English and French texts of the Commission's decision on the cartel. The textual differences invalidated the entire legal process, the court said. The Commission has reimposed fines worth a total of Ecu23.5m (£18.5m) against BASF, Hoechst, Wacker Chemie, and Hüls of Germany; Imperial Chemical Industries and Shell International Chemical of the UK; DSM of the Netherlands; Limburgse Vinyl Maatschappij of Belgium; Enichem and Montedison of Italy; and Elf Atochem and Société Artésienne de Vinyl of France. The fines on Solvay of Belgium and Norsk Hydro were not affected by the court's decision. ICI said yesterday it would be appealing. The Commission alleges a cartel was started at the end of 1980. Delegates from the companies met on a monthly basis, normally in Zurich, when they discussed quotas, monthly sales in each country, and pan-European prices. *Paul Abrahams*

Klöckner investment cleared

The European Commission yesterday decided not to block aid from the city-state of Bremen to Klöckner Werke's steel mill. It argued that Bremen's investment in the rescue plan was "identical" to that of a private investor. The Commission also ruled that capacity cuts to have been made at Klöckner could be abandoned in exchange for the closure of a subsidiary of Arbed, the Luxembourg steel maker. Arbed's is ooe of a group of companies, which together with the city-state of Bremen, formed a consortium to rescue the bankrupt Klöckner steel mill. The two decisions are likely to be viewed suspiciously by non-subsidised producers who have argued that the Bremen plan amounted to state aid. *Emma Tucker, Brussels*

Turkish foreign minister quits

Mr Hikmet Cetin, Turkish foreign minister, resigned yesterday after be had learned from newspapers of plans to dismiss him. Mr Cetin submitted his resignation to Prime Minister Tansu Çiller and Deputy Prime Minister Murat Karayalcin, who is also the leader of the Social Democrat Populist party (SHP), the junior partner in Turkey's coalition government. Mr Karayalcin was expected to name Mr Mumtaz Soysal as foreign minister in a reshuffle of all 11 SHP-held ministries. Mr Soysal believes Turkey should adopt a more independent foreign policy from Nato on issues such as Cyprus and Iraq, and opposes extending the mandate allowing western forces to patrol Kurdish-held northern Iraq from Turkish bases. He has said Ankara should not complete a planned customs union with the EU next year unless the union extends substantial financial aid to Turkey, currently blocked by Greece, and opposes Mrs Çiller's privatisation plans. *Reuter, Ankara*

Athens to sell off shipyard

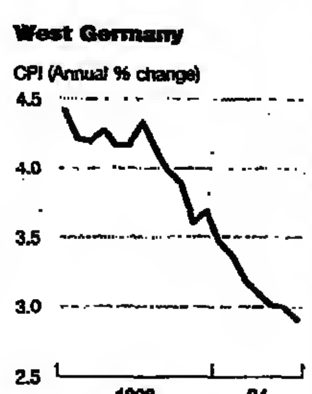
Greece's socialist government has agreed to sell Neorion Shipyards, a state-owned ship repair facility, to Amber Maritime, a consortium of Greek shipowners, in the first privatisation deal reached since the Panhellenic Socialist Movement returned to power last year. Amber Maritime will pay Dr2.1bn (£5.5m) for the yard, which closed last year following three unsuccessful attempts by the former conservative government to dispose of it. Amber has undertaken to operate the yard, on the Aegean island of Syros, for six years, invest Dr800m in modernisation and hand over a 5 per cent equity stake to the 600-strong workforce. *Kerin Hope, Athens*

Swiss rethink tunnel plan

One of the two rail tunnels Switzerland has proposed drilling through the Alps looks likely to be postponed indefinitely because of cost and increased competition. Swiss parliamentarians, worried that the SFr27bn (£13bn) project would strain government spending later in the decade, have ordered the federal Transport Ministry to make a fresh study of its viability. The project, known as Neat (New Alpine Transversal Tunnel), was approved by Swiss voters in a referendum two years ago and calls for two high-speed rail tunnels to be built under the Alps to boost north-south goods transport capacity. *Ian Rodger, Zurich*

ECONOMIC WATCH

W German inflation declines



West German inflation resumed its slow decline during July, dropping to 2.9 per cent from 3 per cent in June, according to preliminary figures issued yesterday. The fall, which came later than expected because of unusually aharp fluctuations in summer food prices, is now forecast to continne in September after a standstill in August. Economists predict a 2.5 per cent rate by the end of the year. Fresh data from the engineering sector yesterday showed a real 26 per cent increase in demand for German machinery and plant during June. Foreign orders surged 44 per cent above year-earlier levels, while bookings from domestic customers rose 11 per cent, the VDMA industry association said. While the month's figures indicate continuing economic recovery in the industry's main export markets in the European Union – where demand was up 34 per cent – they may have been distorted by bookings of unusually large contracts. However, orders in the first six months of this year were 10 per cent higher than in the same period of 1993, the association said. Export demand was up 19 per cent while German orders rose only 1 per cent. *Christopher Parkes, Frankfurt*

- French household spending on manufactured goods rose 0.3 per cent in June after falling a revised 1.1 per cent in May, the national statistics institute, Insee, said.
- Italian total bank lending in lira fall by 3.4 per cent year-on-year in June compared with a revised 3.1 per cent fall in May, the Bank of Italy said.

The son-in-law of Pyongyang premier speaks out after defecting to South Korea

N Korea 'has made five nuclear bombs'

By John Burton in Seoul

North Korea has already developed five nuclear bombs and plans to huild more, a senior North Korean defector claimed yesterday.

Mr Kang Myong-do, a son-in-law of the North Korean prime minister, said the nuclear weapons programme was meant to protect the North against the US and South Korea.

"By possessing nuclear weapons, North Korea thinks it can be relieved from security worries and will be able to divert resources from the arms industry to agriculture and ligbt industry," which could help rescue its shrinking economy.

Mr Kang appeared at a news conference yesterday with Mr Cho Myong-chol, the son of a former construction minister, who defected last week. They are the two most senior North Korean officials to have fled to South Korea.

South Korea's decision to bold a press conference appears to be part of a renewed propaganda war between Seoul and Pyongyang following President Kim's death.

Their appearance was almost certainly meant to embarrass North Korea as it celebrated Victory Day, which marks the end of the Korean war in 1953.

President Kim Jong-il is now in 'firm control'

Nortb Korea, which routinely claims that defectors have been kidnapped by Seoul, is likely to react strongly. The increased tensions between the two Koreas are reducing chances of a summit between their two leaders after it was postponed due to Mr Kim Il-sung's death.

Analysts are also interested in what effect Mr Kang's defection will have on the future of Prime Minister Kang Song-san, the third-ranking official in North Korea.

Mr Kang, whose arrival in Seoul from China in May was disclosed only yesterday, claimed the North's nuclear policy was to make about 10 nuclear bombs before revealing their existence.

Some analysts were sceptical about Mr Kang's allegations. They expressed doubts about the Nortb's technical capability to assemble nuclear devices and the number of bombs claimed by Mr Kang.

Mr Kim Jong-il, tbe new North Korean leader, "is trying his utmost to postpone nuclear inspections until the North manufactures as many nuclear warheads as needed. By then, the US could not attack the North because of the North's possession of nuclear bombs and could use them as a card in negotiations with the US to win diplomatic recognition and economic aid," he claimed.

The US Central Intelligence Agency bas estimated that North Korea has reprocessed enough plutonium to make one or two nuclear devices.

Mr Kang's claim that the North bas acquired five nuclear bombs was based on a discussion be had with a senior security official at the Yongbyon nuclear complex.

Two senior North Korean defectors in Seoul yesterday: Kang Myong-do (left) and Kang Song-san Reuter

The two defectors expressed opposition to Mr Kim Jong-il's recent assumption of power following the death of his father, President Kim Il-sung.

But they said Mr Kim was in firm control of North Korea, baving exercised extensive administrative powers since 1985. However, food shortages and other economic problems threatened his rule, while the military was divided in its loyalty to him.

Asean to train Cambodia military

By Victor Mallet in Bangkok

South-east Asian countries and their main trading partners from the industrialised world yesterday said they wanted to provide military training to help the fragile Cambodian government in the figbt against Khmer Rouge guerrillas and would eventually consider sending weapons.

At the end of the week-long series of meetings among foreign ministers hosted by the Association of South East Asian Nations (Asean), delegates said they were concerned by the weakness of the Cambodian coalition. It was elected last year at the culmination of the $2bn (£1.2bn) UN peace plan for the country.

Khmer Rouge guerrillas based on the Thai border recently routed government troops who attempted to seize their strongholds in northern and western Cambodia.

"France and other countries have provided aid for the army and the police and this could eventually include deliveries of arms," Mr Alain Lamassoure, the French European affairs minister, told a news conference. France has some 40 military advisers in Cambodia.

Paris and other governments are putting the emphasis on training rather than material at present because the Cambodian army is undisciplined and soldiers sell weapons to the guerrillas.

Indonesia and Malaysia yesterday said they were willing to help train the army. The US says it is considering Cambodia's request for military aid. Last week Australian military advisers visited Cambodia to assess the situation.

Thailand was implicitly criticised by several foreign ministers and officials at the Bangkok meetings for failing to prevent supplies reaching the Khmer Rouge. Thai leaders say they support the government in Phnom Penh, hut Khmer Rouge guerrillas sell gems and timber to Thai traders on the frontier and use tbe money to huy arms.

A senior US official said the US wanted a reaffirmation of support not only for Phnom Penh but "for the objective of sealing off the border in terms of anything that could be construed as assistance to the Khmer Rouge".

Asean and western governments said they bad moved closer togetber on policy towards Burma's military junta. Asean members – Brunei, Indonesia, Malaysia, tbe Philippines, Singapore and Thailand – welcomed Mr Ohn Gyaw, tbe Burmese foreign minister, to Bangkok as a guest hut they also raised the issue of human rights.

The European Union, Australia and others remained critical of the junta's buman rights ahuses but accepted that their attempts to isolate the regime had not produced results and that Asean's policy of "constructive engagement" could have some merit.

Australian inflation puts rates rise on hold

By Nikki Tait in Sydney

Prospects for an immediate increase in Australian interest rates faded yesterday after publication of the latest consumer price Index figures showed that inflation was running at 0.7 per cent in the June quarter, or an annualised rate of 1.7 per cent.

The rise in the CPI in the latest quarter was at the lower end of analysts' forecasts, and the Treasury calculated that the increase in the "underlying rate" was smaller still, at about 0.4 per cent in the quarter. During the April-June period the CPI was held hack by deflation in the food sector, and only modest rises in clothing and household equipment prices.

The data came as a relief to the Australian government which has been anxious to delay raising interest rates until there are clearer signs that business investment is picking up. Although the economy la growing at an annualised rate of 4.5-5 per cent, this has been largely due to a surge in domestic consumer demand.

There had been fears that, if the CPI data sbowed that strong domestic demand was pushing up prices, the government would have been forced to raise rates – thus choking off the slow improvement in investment levels.

Yesterday, Mr Ralph Willis, Australian treasurer, said that "exclnding fuel, tohacco and alcohol and mortgage interest charges, inflation for the quarter was around 0.3 per cent – further evidence of the absence of inflationary pressures in the economy".

Mr Willis, wbo talked to Reserve Bank of Australia officials after returning from a trip to Washington and New York yesterday, added: "I don't see a rise in interest rates as a result of these figures". He expected "a good inflation outcome" in the September quarter. Bond yields and the Australian dollar both fell on the news.

Nevertheless, most analysts still predict there will be some tightening of monetary policy before the end of the year.

IMF urges New Delhi to speed up reform pace

By Shiraz Sidhva

The International Monetary Fund has recommended an accelerated pace of reform in India and "a more vigorous approach to removing structural weaknesses".

The IMF annual report presented by its executive board in Washington yesterday expressed concern about a "worrisome" rise in prices and "considerable fiscal slippaga in 1993-94, despite a good monsoon.

There was a "considerable widening of the hudget deficit in 1993-94, a persistence of high domestic interest rates, and a sluggish industrial recovery, as well as the related surge in capital inflows that had complicated monetary management and added to inflationary pressures." The Fund said "external viability was not yet assured".

The Indian government had made progress in "articulating a broad framework for structural reform" in core areas like trade, financial sector liherallsation and tax reform, bnt "progress had been slower in restructuring puhlic enterprises and in increasing the flexibility of markets for labour and land."

Commending India for furtber reductions in import tariffs, the Fund advocated early action to replace quantitative restrictions on consumer goods imports with appropriate tariffs. The directors urged the government to return "quickly and decisively to the path of fiscal reforms," with a "less distortionary and more revenue-elastic tax system" and lower interest rates to encourage private investment.

● More than 54,000 people have fled their villages in the north-east Indian state of Assam since tribal militants killed some 50 Moslems at the weekend, senior officials said yesterday, Reuter reports from Barpeta, India. The Indian government sent the army into Barpeta and adjoining districts following the raid hy Bodo militants fighting for their own state within India.

There have been several outbreaks of sucb violence in recent years, usually witb the militants attacking Moslems recently arrived from Bangladesh.

Opposition cries foul over Bombay scandal

By Shiraz Sidhva in New Delhi

Opposition leaders yesterday accused the Indian government of letting off several cabinet ministers and bureaucrats criticised in a report ou the Bombay stock market scandal of 1992.

MPs stalled proceedings in hoth houses of parliament, rejecting what the government called its "Action Taken" report, which it said "overturned" the findings of a joint parliamentary committee into the scandal which reported in December last year.

Its clause-by-clause response to the committee's report was tabled in parliament on Tuesday.

The government rejected the committee's findings that it was, through inaction by the finance ministry and the Reserva Bank, India's central bank, responsible for "a systems failure" that allowed the scandal to erupt.

Staunchly defending Mr Manmohan Singh, the finance minister, the government conceded that the scandal occurred because of a "failure to check irregularities", but insisted that "this failure was not due to inaction" on its part. The scandal, it said, highlighted "weaknesses in the system" which it was "in the process of correcting".

Rao (right) taking no action against Singh

MPs who wrote the parliamentary committee report into the Rs40bn (£830m) scandal criticised failings throughout the financial system and held Mr Singh responsible for the shortcomings of officials entrusted with financial supervision.

The committee spent more than a year investigating the affair, whicb erupted in April 1992 when evidence emerged that money was being illegally siphoned out of banks and into the stock market.

Opposition memhers bave demanded a withdrawal of the government's report, terming it an "eye-wash" and an "assault on parliamentary dignity".

Mr Atal Behari Vajpayee, leader of the opposition from the Bbaratiya Janata party, said the entire nation expected that the government would accept the parliamentary committee's report and take action against ministers, arrest guilty officials and initiate proceedings against others.

"But no sucb action has been initiated."

Mr Lal Krishen Advani, the Hindu party's president, yesterday accused Mr P V Narasimha Rao, tbe prime minister, of "shielding corruption".

On Monday the Reserve (central) Bank of India announced that it would impose penalties on several foreign and domestic banks indicted hy the committee's report and its own investigations.

The Reserve Bank has penalised 35 Indian and foreign banks by witbdrawing the exemption granted to 78 commercial banks in April 1992 from maintaining a cash reserve ratio of 10 per cent. The Reserve Bank, which already bolds deposits worth Rs300bn from these banks, will by its decision, impound a further Rs30bn, 10 per cent of the incremental growth of these deposits, by virtue of the waiver.

Further, 20 of the 35 banks involved in the scandal have heen served notices by the central bank for allegedly violating regulations. They have four weeks to contest the Reserve Bank's claims, failing which they will bave to pay penalties totalling Rs1.47bn.

Worst hit among the domestic banks is India's largest nationalised bank, the State Bank of India, which will have to pay a penalty of Rs112m. Among the foreign banks, Citibank may have to pay Rs500m in fines.

Other foreign banks affected include ANZ Grindlays, Standard Chartered, American Express Bank, Hongkong and Shanghai Bank, Deutscbe Bank, Crédit Lyonnais, Barclays Bank of Nova Scotia, and the Abu Dhabi Commercial Bank.

Representatives of foreign banks, who say it is too early to tell whether they will contest the Reserve Bank's claims, are more concerned about what one Bombay-based banker termed "continuing harassment".

"The government has clearly said in its report on Tuesday tbat the Reserve Bank is finalising further action against tbe foreign banks involved in the scandal," ha said. "We have done everything in our power to stop the irregularities, if any, and the government would be giving us the wrong signal if they continue to slap on penalties."

A senior Reserve Bank official said yesterday that "the bank as an organisation would end the matter bere provided the banks don't contest our claims and pay the penalties due".

The official said the central bank would grant the 20 banks involved private bearings if any mistakes were detected in calculations or the banks felt the penalties were too harsh.

Indonesia media blow

By Manuela Saragosa in Jakarta

Attempts to maintain political openness in Indonesia have suffered a further blow following a Department of Information threat to close leading newspapers and magazines.

Officials at the Kompas and Sinar Pagi daily newspapers, Sinar magazine, the English-language daily The Jakarta Post, and Indonesia Business Weekly, an English-language business magazine, said they had received oral warnings from the department over the past week. Sinar magazine is owned by Mr Sudwikatmono, a relative of President Suharto.

The newspapers and magazines said they were taking the warnings seriously. In June the government forced the closure of two weekly magazines and one tabloid newspaper following their critical reporting of the government's acquisition of a fleet of former East German warships.

This time the puhlications are being tackled over their reporting on recent demonstrations in East Timor, whicb turned hloody after military interference. They were also warned about their reporting of last month's press ban.

The media bans last month appeared to mark the end of a sbort-lived era of fledgling political openness.

"For the time being we have to lie low," said an editor of one of the threatened publications. "I suspect the government is giving a blanket warning to everyone with tbese latest warnings, regardless of the nature of the stories."

£1.25bn UK package for Pretoria

By Paula Hawkins

Britain's trade and industry secretary, Mr Michael Heseltine, yesterday announced a £1.25bn "trade support and assistance package" to South Africa, which he described as the largest such facility offered by any country since the South African elections.

The bulk of the package had been availahle before Mr Heseltine's visit to Soutb Africa earlier this month, in the form of Export Credit Guarantee Department cover, ECGD officials said.

The package also included $60m of hilateral aid and £30m channelled through the European Union. A further £10m will be made available through the Commonwealtb Development Corporation.

Mr Heseltine also announced tbe launcb of a training scheme for entrepreneurs from Johannesburg's Soweto township. Under the scbeme, to be known as the Soweto Initiative, tbe entrepreneurs will join British companies for periods of several months and be trained in management and other skills.

Participating companies include Rolls-Royce, Samuel Montagu and Wimpey.

The scheme will be funded partly by the Commonwealth Development Corporation and partly by private organisation.

Mr Heseltine, wbo returned recently from a six-day visit to Soutb Africa, said: "Having witnessed at first band tbe ideas bubbling up within the Sowetan business community, tbe drive, selling capabilities and sheer enthusiasm of Sowetan entrepreneurs, we on the mission decided that we could and should do something to belp."

"These are the business leaders of tomorrow – now is the time to forge friendships and partnerships with them."

Mr Heseltine was accompanied by 57 British husinessmen on his trip. Up to $500m of business could come to British companies from South Africa as a result of tbe trade mission, said DTI officials.

See Observer

Strike by Nigerian oil workers forces Shell to default on supplies

By Paul Adams in Abuja

The Anglo-Dutch Shell company, Nigeria's largest oil producer, yesterday declared force majeure on deliveries of crude oil, enabling it to default on supplies of about 1m barrels of oil per day, half of Nigeria's crude oil output.

The decision, which means the company does uot expect to meet original loading dates, led to a rise in oil prices. London September futures for the world benchmark Brent Blend rose to $17.94 per barrel, up almost 30 cents from Tuesday.

There was also an unconfirmed report of a gas hlast in the Nigerian Forcados field.

Shell took the decision after reviewing the effects on the industry of the three-week oil workers' strike against military rule. The company was already three days behind schedule on loadings hut says the main effect will be on August deliveries.

Until yesterday Shell and the other oil companies operating in Nigeria had managed to keep output at normal levels by deploying non-union staff, mainly senlor managers or expatriates, on essential tasks.

Recent threats of reprisals by the unions against strike-breakers persuaded Shell to withdraw staff, according to oil experts in Nigeria, halting the flow of oil to its terminals Bonny and Forcados in the Niger delta.

Chevron and Mobil have not yet declared any lapse in loadings but most companies say that this is a matter of time.

Oil accounts for more than 90 per cent of Nigeria's exports and the cut in production deepens the country's financial crisis. Arrears on the $28bn (£18bn) of external debt have reached $8bn. The budget deficit for the first half of the year was about $1.5bn, according to the finance ministry, and non-oil revenue flows have almost dried up since foreign exchange regulations were imposed in January.

The oil strike is the most serious threat so far to the regime of General Sani Abacha. Nigeria is expecting a delegation from US President Bill Clinton, to be led by the Rev Jesse Jackson, to mediate in the political crisis.

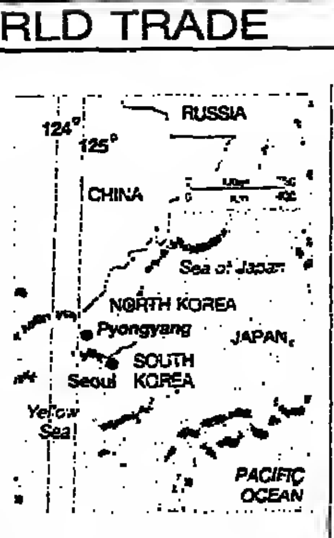
Nigeria is also host to a summit of West African beads of state, postponed this week until August 5.

The government is under pressure from the oil workers and other unions in south-west Nigeria to release from jail Mr Moshood Ahiola, the banned winner of last year'a annulled presidential election, who is due to face trial today in Abuja for treason after declaring himself president.

The union demands include the replacement of military rule hy a government formed by Mr Abiola and the repayment of an estimated $800m owed by the government to the oil companies.

NEWS: WORLD TRADE

Seoul, Beijing in air accord



By John Burton in Seoul

An aviation agreement signed yesterday between Sonth Korea and China removes an air transport hottleneck in the fast-growing north-east Asian region.

The provisional pact, reached after almost two years of talks, opens direct scheduled flights between Seoul and the northern Chinese cities of Beijing, Shenyang, Qingdao, Tianjim and Dalian.

The accord will end cumbersome routes between the two countries and almost halve flight times between Seoul and Beijing. It could also eventually allow Sonth Korean carriers overflight rights through Chinese airspace, rednclng flight times to Europe by two hours and helping to transform Seoul into a regional aviation hub. The establishment of beyond-point rights will be subject to future talks.

Scheduled flight services, which will replace charter flights between the two countries, are likely to hegin in three months after technical arrangements have been completed and a treaty is signed.

But disputes remain over flights between Seoul and cities in sonthern China, inclnding Shanghai. The main stumbling block to a Sino-South Korean aviation pact has been disagreement over the location nf the flight control transfer point, which is linked to territorial rights over sea boundaries and airspace.

China has agreed to establish the flight control point in the nnrthern region at 124 degrees longitude, in accordance with Sonth Korea's demands and a 1963 ruling by the International Civil Aviation Organisation.

Bnt Beijing still insists the control point in the sonthern region should be established at 125 degrees longitude, which Seoul regards as an invasinn of its boundaries. Until the issue is resolved, flights to Shanghai will rely on charter services using the air corridor between Japan and China.

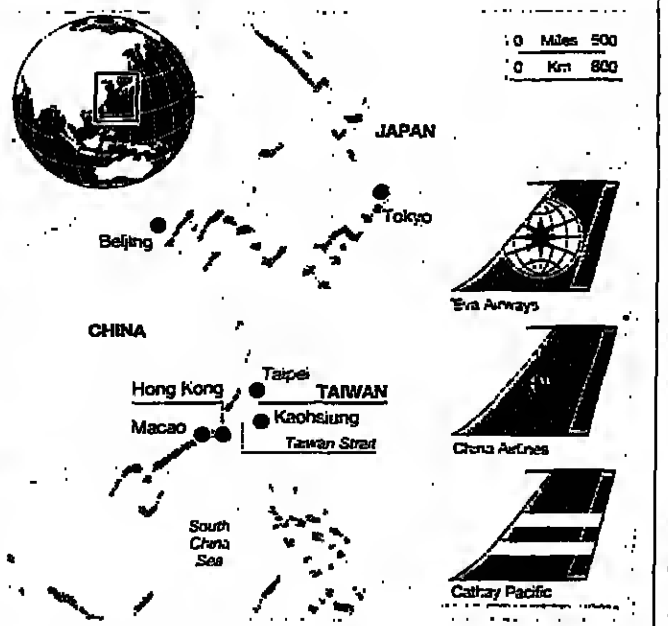
ft is forecast that the opening of regular services will boost air passenger traffic on the Sino-Korean rontes to 300,000-400,000 a year, from 150,000 last year, 75 per cent of whom were South Koreans.

Airlines from both countries will share services eqnally. These will include 18 weekly flights between Seoul and Beijing.

South Korea is expected to open talks soon with Taiwan on the resumption of direct scheduled flights, which were suspended following the severing of diplomatic ties in August 1992 after Seoul recognised Beijing.

Political static on HK-Taiwan route

The 1997 factor is getting in the way of inter-company negotiations over air rights, report **Simon Holberton** and **Laura Tyson**



Negotiations over air rights between Hong Kong and Taiwan – one of the most profiteble air routes in east Asia – is becoming another field of bsttle between Beijing and Taipei.

At stake is the renewal of an inter-company air service agreement that allows Cathay Pacific, the Hong Kong based airline, and China Airlines (CAL) of Taiwan to fly between the British colony and Taipei more than 200 times a week.

"We hope we can negotiate another five-year deal," said one Cathay official. "But there are a number of complications which won't make this a simple agreement."

Both companies have been put in the unusual position of having to negotiate an agreement – whicb would *normally* fall to governments – because there are no direct political relations between Britain and Taiwan. Given the current state of relations across the Taiwan Straits, bowever, Taipei and Beijing appear to he using the negotiations over the agreement – which explres next April – to further other aims.

Beijing wants direct air links between the mainland's principal regional capitals and Taipei and Kaohslung, tba island republic's second city, located on the south-western tip of the island. It remains unclear how hard Beijing will push to secure these concessions, but it does have power to frustrate the talks given the change in Hong Kong's sovereignty in mid-1997.

China's interference appears to be behind the delay in other air services talks, inclnding those betweeo Taiwan and Japan. The two sides last met in February and no subsequent meeting has been scheduled. Links to Macao, the Portuguese colony which reverts to Chinese control in 1999, have also been held up because Macao plans to establisb its own airline in which mainland Chinese interests are to hold a 40 per cent stake.

For its part, Taipei would like to see flights between Taiwan and China limited to the existing arrangement under which the semi-official CAL flies to Hong Kong. At the same time, however, Eva Airways, Taiwan's second airline, founded hy tbe Evergreen Group in 1991, is seeking access to the route.

Taiwanese aviation officials said that talks between Cathay and CAL held in Taipei in late May broke down over whether the lucrative route should be opened to other carriers. Nö date for a future meeting has been set. According to the officials Cathay, citing Chinese government opposition, opposed changing the route's designation from single to multiple carrier.

Catbay admits to keeping Beijing informed – in particular the Civil Aviation Authority of China and the Hong Kong and Macao Affairs Office – but denies it is arguing Beijing's brief at negotiations with CAL.

"We do not want to force through an agreement only to have it torn up after the change in sovereignty in 1997," a Cathay official said.

Cathay also denies that it is trying to exclude Eva or other carriers from gaining access to the route. ft points out, however, that Eva has no standing in the talks between Cathay and CAL, which are renegotiating an agreement between themselves. A Cathay official said that if Taipei wants Eva to have access to the Hong Kong-Taipei route, CAL should give up a portion of its right on the route to Eva.

The case is, in any event, a harbinger of the increasing difficulty Taipei will face in maintaining its official pretence of no direct political or economic contacts witb Beijing, especially once Hong Kong reverts to Chinese sovereignty.

Air links with Hong Kong are critical to Taipei, whose fast growing trade and investment ties with China are mostly routed through the colony because of Taiwan's long-standing han on direct cross-strait links. Moreover, the one-hour Hong Kong-Taipei flight is a cash-cow for Cathay and CAL and is believed to be one of CAL's few profitahle routes. Granting access to other airlines could dilute profits, depending on scheduling and service.

Another sticking point is that China will undouhtedly refuse to permit CAL's jets to fly to Hong Kong bearing the national flag of the Repuhlic of China on Taiwan after Hong Kong reverts to Chinese sovereignty. It is likely CAL will be forced to fly to the colony via its affiliate, Mandarin Airlines, which it is reluctant to do.

Because of the political sensitivities surrounding these negotiations, their progress has been shrouded in secrecy. Both governments deny direct involvement in the talks. That may be true for the time being hut, when it happens, the renewal of the Cathay-CAL alr agreement will be political.

Bechtel in Chinese port venture

By Tony Walker in Beijing

Bechtel of the US and China International Trust and Investment Company yesterday set up a joint venture to expedite the multi-hillion dollar development of port facilities and services at Daxie island south of Shanghai.

Citic, China's largest investment conglomerate, last year secured the right to develop the 31 sq km island as a gateway to China's central provinces. It plans to spend about $500m on Daxie's basic infrastructnre, with expected investment from the private sector of $3bn-$6bn over the next 15 years.

Daxie will offer 40 berths for container and petroleum cargo vessels in excess of 200,000 tonnes. Annual capacity will be 5m containers and an overall 100m tonnes of cargo.

Investment opportunities will inclnde petrolaum and chemical processing; storage and trans-shipment facilities; industrial and high-technology manufacturing; commercial and residential site development; and privatised infrastructure.

The Bechtel-Citic joint venture – Xinde Joint Development Company – will serve as a marketing, operating and services organisation for Daxie, which is situated 140km south of Shanghai and lies 600 metres offshore.

A railway and highway will connect the island with the mainland and the provinces of Jiangxi, Hunan, Guizhou and Yunnan, which have been disadvantaged by poor transport links with the outside world.

International companies are reported to have shown a keen interest and are expected to conclude agreements for "first phase" projects by early next year.

Mr Riley Bechtel, president of the Bechtel Group, said Bechtel was involved in other large projects, including Jubail in Saudi Arabia. It was also a consultant for the new Hong Kong airport at Chek Lap Kok.

Bechtel and Citic established a joint engineering consultancy in the early 1980s.

NEWS IN BRIEF

Hochtief wins DM640m Beirut airport contract

Hochtief, one of Germany's biggest construction companies, has won a DM640m ($408m) contract to rebuild and extend the badly damaged Beirut airport, writes Michael Lindemann in Bonn.

The Essen-based company said work was due to start in the autumn and would probably continue until 1998. It will work with Consolidated Contractors SAL, a Lebanese company, and will use a variety of sub-contractors mainly to supply the workforce.

Years of fighting around the Lebanese capital have left the airport in ruins, without proper runways and facilities. The Lebanese government had earmarked the project as a priority in an attempt to attract foreign investors.

The 3.4km runway is to be extended 1.9km into the sea and the contract also includes the construction of a passenger terminal, a transit centre, a control tower and a hotel. Hochtief has been involved in a variety of construction projects in the Middle East including the airport in Jeddah, which handles visitors on pilgrimage to Mecca.

Germans order rolling stock

Germany's federal railway has placed big orders for new rolling stock with Siemens, the AEG unit of Daimler-Benz, Deutsche Waggonbau and Fiat of Italy, Reuter reports from Frankfurt.

The railway, Deutsche Bahn, said it had placed an order for 50 high-speed ICE trains with a consortium led by Siemens and including AEG and Deutsche Waggonbau. A previous order for 60 ICE trains placed with the three companies last August had a value of DM2.2bn.

Japanese to sue over ITC ruling

Nippon Steel and Kawasaki Steel plan to file suit against a ruling issued in May by the US International Trade Commission (ITC) that the two companies were selling electrical steel at unfairly low prices in the US, Reuter reports from Tokyo.

They plan to take the suit to the Court of International Trade and the filing would be in early August, Kawasaki said. Upholding charges by some US steelmakers, the ITC has imposed a pumitive tariff of 31.08 per cent on Japanese exports of grain-oriented electrical steel.

Software claim will go to court

A new intellectual property court has agreed to hear complaints by three US companies that their software was pirated by Chinese retailers, Reuter reports from Beijing.

The official China Daily said the Intellectual Property Rights Chamber of the Beijing People's Intermediate Court had accepted lawsuits by US software producers Microsoft, Lotus Development Corporation and Autodesk and begun a formal investigation.

The plaintiffs allege that five Chinese companies in the capital's Zhongguancun computer district illegally copied, displayed and sold their copyrighted software.

Toyota UK engines for Turkey

Toyota said its British unit Toyota Motor Manufacturing (UK) had begun exporting TMUK-made engines to Turkey, Reuter reports from Tokyo.

TMUK will export 2,000 1.6-litre engines this year to Toyota's Turkish venture Toyotasa in Adapazari for use in Corolla cars. The number will rise to 10,000 engines in 1995.

Toyotasa will assemble 2,000 Corollas in 1994 and 10,000 1.6-litre Corollas and 10,000 1.3-litre Corollas in 1995.

Toyotasa is owned 50 per cent by Sabanci Group, 40 per cent by Toyota and 10 per cent by Mitsui.

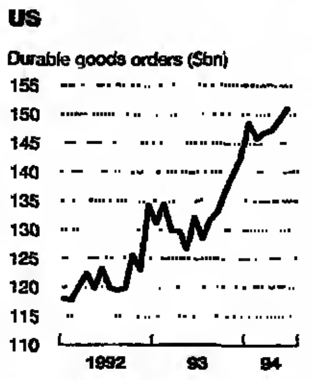
NEWS: THE AMERICAS

US durable goods orders rise 1.3%

By Michael Prowse in Washington

US

Durable goods orders ($bn)



Source: Datastream

New orders for US durable goods increased 1.3 per cent last month and 13.3 in the year to June, indicating that prospects for US manufacturers remain hright, the Commerce Department reported yesterday.

The figures surprised Wall Street analysts who had projected a less robust monthly increase of about 0.5 per cent.

Mr Ron Brown, commerce secretary, said the gain was "entirely accounted for hy increases in non-defence, non-aviation capital goods, which rose 6.4 per cent to a oew all-time high". The high level of business investment was likely to support "balanced and sustainable growth", he said.

The June figures showed gains in most industrial sectors. Orders for transport equipment, industrial machinery and electronic equipment were up 2.3, 2.2 and 1.1 per cent respectively from May. Orders for primary metals fell 3.1 per cent but this followed a strong gain in May.

The figures follow a series of reports – including a deceleration in growth of retail sales and industrial production – that appeared to indicate economic growth was easing somewhat, lessening the immediate pressure on the Federal Reserve to curb the expansion by raising short-term interest rates again.

In congressional testimony last week Mr Alan Greenspan, the Fed chairman, said he saw the economy "settling into more moderate rates of growth over the next six quarters and inflation remaining relatively subdued". But be said there were conflicting signals and warned that he might need to raise short-term rates further to keep inflation under control.

Analysts are now keanly awaiting figures on gross domestic product for the second quarter, due on Friday. The consensus view is that the economy expanded at an annual rate of about 3.5 per cent, roughly in line with growth of 3.4 per cent in the first three months, and sharply lower than the annualised 7 per cent registered in the fourth quarter of last year.

But some forecasters are projecting annualised growth of as much as 5 per cent.

Brazil presidential candidate drops his running-mate

By Patrick McCurry in São Paulo

Lula: 30 per cent support

Mr Luiz Inácio Lula da Silva, the leading left-wing candidate for Brazil's presidency, has replaced his running mate just over two months ahead of the poll, following corruption allegations.

Mr da Silva's campaign has been virtually paralysed for the last three weeks because of media allegations against Senator José Paulo Bisol of the Brazilian Socialist party.

Ironically, Mr Bisol was one of the leading inquisitors during a congressional corruption investigation held earlier this year.

Mr Bisol will be replaced as vice presidential candidate hy Mr Aloizio Mercadante, a leading congressman from Mr da Silva's Workers' party and a possible finance minister in a da Silva government. Mr Mercadante represents the centre ground of the Workers' party and is considered a skilful media debater.

A meeting of Mr da Silva's coalition partners on Tuesday evening agreed to the change, which they hope will refire his campaign for the October 3 election.

Mr da Silva's main opponent, former finance minister Mr Fernando Henrique Cardoso, has virtually drawn level in the polls this month after being 20 points behind. This recovery has largely been due to a sharp fall in inflation following the introduction of a new currency on July 1, which Mr Cardoso negotiated through Congress.

Mr Bisol's position was undermined by allegations thet ha submitted amendments to the federal hudget for over-priced public works projects benefiting property he owned. Mr Bisol denied the allegations but said he had acted naively and would withdraw the amendments.

The allegations, although dismissed by the da Silva campaign as a media smear, were regarded as particularly damaging to Mr da Silva, who is supported by many Brazilians because of his commitment to clean government.

Both Mr da Silva and Mr Cardoso have the support of about 30 per cent of voters, with other candidates on less than 10 per cent, according to a recent Gallnp poll. After October's election the two are expected to meet in a run-off ballot on November 15.

US-Canada farm trade war looms

By Nancy Dunne in Washington

A farm trade battle between the US and Canada came closer yesterday as trade ministers from both countries again failed to settle their dispute over Canadian wheat sales in the US.

Mr Roy MacLaren, the Canadian trade minister, spoke only hriefly after meeting his US counterpart, Mr Mickey Kantor. The two sides had discussed many other issues, he said. They now understood each other on grain and "will be in touch" in the immediate future, he said.

However, the Clinton administration is under strong pressure from a few influential senators to act quickly under a US law which allows the president to limit imported commodities found to interfere with the US price support programme. That statute is likely to be abolished with the launch of the World Trade Organisation, which could happen in January.

The Canadians have threatened to retaliate against any US sanctions. Their scope for action is wide. Canada is a key market for many US grain products.

All six members of the US International Trade Commission this month found that Canada's wheat sales had interfered with the price support scheme. However, in recommendations sent to the White House last Friday, three concluded that there were several reasons for "the small adverse impact" on wheat prices, including last year's US floods and unfavourable weather in both countries.

The three also said Canadian grain had been given competitive advantages through its rail snbsidies and the Canadian wheat board.

The three commissioners recommended 10 per cent tariffs on quantities of non-durum wheat which exceed 1m tonnes and 10 par cent tariffs on imports of durum when that exceed 500,000 tonnes. The other three commissioners recommended stiffer penalties.

CIA looks for a role as the cold war becomes history

Ken Warn sees the intelligence organisation under fire from all sides

The Central Intelligence Agency is not alone these days in downsizing to meet changed international circumstances. But for the CIA, adapting to tighter budgets and rapidly changing intelligence needs is proving particularly painful.

The organisation finds itself under fire from all sides, facing a hostile press, an expansionist Federal Bureau of Investigation, and even a threatened media onslaught from Mr Aldrich Ames, the CIA operative who admitted spying for Moscow for nearly 10 years and was sentenced to life imprisonment in April.

In Congress there are those such as Senator Daniel Patrick Moynihan who believe the demise of the Soviet Union, the focus of CIA activity for most of its 50 years, means the agency has outlived its usefulness altogether.

More than any other single problem, the agency is operating under the shadow of the Ames debacle. In an outspoken attack last week, Mr James Woolsey, CIA director, called Ames "s malignant betrayer of his country – who killed a number of people who helped the US and and the west win the cold war. He killed them just as surely as if be pulled the trigger of a revolver put to their heads in the basement of the Lubyanka prison."

Mr Ames is believed to be negotiating from his prison cell with the US media to launch an attack on his old employers. At his sentencing Mr Ames referred to US espionage as undertaken by the CIA and other agencies as "a self-serving sham carried out by careerist bureaucrats".

Under the barrage of criticism, Mr Woolsey last week unveiled "a comprehensive overhaul" of the way the CIA does husiness. Thst will include tightening personnel security in an effort to avoid another Ames case, along with a review of operations, analysis, science and technology, and administration.

Mr Woolsey said he also wanted to change the CIA's culture, making managers more accountable for their mistakes and making the agency less of a closed, white male fraternity.

Congress is preparing to investigate claims of discrimination by over 100 female agents and belated moves are undar way to place women in more senior positions.

The House o The CIA is also making sharp cuts in staffing, both at its Langley, Virginia, headquarters and abroad, as funding dwindles. The closure of 15 stations in Africa was announced last month.

f Representatives voted last week week to keep the CIA budget secret for at least another year, but it is is estimated at about $3bn out of the $28bn (£18bo) devoted to the US intelligence community. Much of the other $25bo goes to fund costly satellite and electronic espionage. Spending has been declining steeply in real terms since 1990.

In his 18 months as CIA director, Mr Woolsey has already sougbt to shift the emphasis of CIA operations in the wake of the collapse of its principal foe.

In a world of multiple threats of nuclear proliferation, terrorism, drug carteis, and doubts over the stability of Russia and China, he argues, the CIA is far from being a relic of the cold war.

However, tbis oew focus inevitahly brings turf battles with other bodies such as the FBI and the Drug Enforcement Administration.

In addition, Mr Woolsey has sought to make the CIA more responaive to US economic needs, attuning it to the Clinton administration's agenda. While denying absolutely that the agency conducts industrial espionage on behalf of US business, Mr Woolsey said the CIA would follow macro-economic developments more closely, particularly in Russia and China, and continue to monitor sales of dual-use technology.

Tracking and objecting to foreign companies' efforts to "bribe their way to contracts" in US export markets – which US companies are forbidden to do under the Foreign Corrupt Practices Act – saved US business "several billion dollars a year" at a "conservative" estimate, he said.

Under its director Mr Louis Freeh, the FBI appears to have been ooe of the main beneficiaries of the CIA's difficulties. This month Mr Freeh opened an FBI office in Moscow while on an energetic swing through eastern Europe. The growing internationalisation of the FBI's crime-figbting efforts, looking at issues such as preventing the theft of former Soviet nuclear materials and weapons, strays directly into CIA territory.

Following a review of counter-intelligence co-ordination ordered by President Bill Clinton after the Ames casa, a senior FBI memher was appointed to head a new counter-intelligence centre based at the CIA, in a hlow to the agency's pride.

Mr Woolsey's speech was his toughest response yet to his proliferating troubles. But it is not clear if any internal review, however thorough, will head off demands for an external root and branch investigation of US intelligence.

In a defiant message to "those who wish America ill", Mr Woolsey said: "Let me be quite clear: we are changing but we are not going away. Do not equate a dacline ln resources and size with s decrease in vigilance. Do not confuse a re-assessment of our mission with o retreat from our responsibilities."

MPs seek to clear way for superhighway

By Andrew Adonis

A House of Commons committee yesterday called for radical changes to the regulatory regime for telecommunications and broadcasting to ensure the rapid construction of a UK "electronic superhighway."

The key recommendation of the report on optical-fibre networks by the trade and industry select committee is for a progressive lifting of the ban on British Telecommunications using its network to carry entertainment services.

Existing government policy, designed to encourage investment in local cable systems by cable operators competing with BT, is for the ban to stay in place until at least 2001, with a review after 1998.

Yesterday's report advocates a lifting of the ban over an eight year period. BT would be allowed to compete on an *equal footing* with cable companies over most of Britain by the late 1990s, with a complete lifting of the ban in 2002.

Mr Richard Caborn, chairman of the Commons committee, claimed that without a clear date for ending the ban Britain could lag behind the US and Japan in the development of interactive "superhighway" services.

It appeared yesterday that Mr Michael Heseltine, trade and industry secretary, will refuse to make any immediate change in government policy. The DTI said it would respond to the report in the autumn, but that the curbs on BT remained "integral to government policy."

However, the cable industry gave a cautious welcome to the report, raising the prospect of a broad consensus which could make it easier for Mr Heseltine to set a firm date for its abolition. The report's recommendations are broadly in line with Labour party policy.

Mr Richard Woollam, director-general of the Cable Television Association, which represents the – mostly US-owned – cable companies, said: "I don't think anyone in the cable industry really expected the ban to go on beyond 2001."

BT, which campaigned hard for the committee to support an early lifting of the ban, welcomed the report, noting that the proposal to restrict to 7 years the period of protection from BT competition in entertainment services for individual cable franchises would free BT to compete over most of the country by 1998.

Dr Alan Rudge, BT's director of development and procurement, said it brought a national fibre-optic superhighway "within the UK's grasp," and committed BT to investing the £15bn necessary to extend fibre-optics into local networks should the ban be lifted.

Delors to speak at congress

By Robert Taylor and Lionel Barber

Mr Jacques Delors, the outgoing European Commission president, has agreed to address this autumn's Trades Union Congress in Blackpool, in a move that will be seen as provocative by the British government and Conservative Euro-sceptics.

He is expected to give a vigorous defence of the welfare state and full employment and spell out his continuing enthusiasm for a social dimension in the EU and the development of workers' rights.

Mr John Monks, the TUC's general secretary welcomed Mr Delors' decision to come to the Congress.

It was in 1988 that the EU president first spoke to the TUC in a speech that pleased British union leaders with its passionate commitment to a social dimension for the EU and European-wide worker rights.

The address stimulated an angry Margaret Thatcher to launch a furious attack on the very idea of a social Europe in her Bruges speech and hardened British resistance to the EU social affairs agenda, ending up with the UK opt-out from the social chapter of the Maastricht treaty in 1991.

His visit to the TUC in September will be Mr Delors' first journey to Britain for nearly two years. In 1993 he pulled out of speaking to the Confederation of British Industry's annual conference. The official reason for his cancellation was a bout of sciatica but Brussels officials said Mr Delors' illness was diplomatic.

Mr Monks said that the EU president's 1988 speech had made an "electrifying effect on the British labour movement. It has strongly influenced our own work over the past six years", he added.

Yesterday Britain's newly appointed employment secretary Mr Michael Portillo said the British government would not tolerate what he called "unwarranted interference" in people's lives by the Brussels bureaucracy. He was responding to the EU's policy paper on European social policy published yesterday.

Britain in brief

Resorts damage tourism

Outdated resorts are damaging the reputation of more attractive English tourist attractions, making it difficult to persuade UK residents to take their holidays at home, the English Tourist Board said.

Ms Adele Biss, the board's chairman, said that over the past decade the UK's tourism balance of payments had fallen from break even to a deficit of £3.1bn.

The deficit had grown despite the increase in foreign visitors to the UK. Foreign visitor numbers are expected to reach a record 20m this year. This had been matched, however, by a large rise in the number of British residents taking holidays abroad.

"A weak domestic market depletes our ability to survive internationally. Without strength in both we are vulnerable in both," he said.

Bricks signal UK recovery

Brick sales by manufacturers were the highest for five years during the second quarter of this year according to figures published by the Environment Department.

Viscount Ullswater, appointed construction minister in last week's reshuffle, said the surge in sales provided a further encouraging sign of economic recovery.

"Construction new orders and output, including housing starts, show similar recent upward trends," said the new construction minister.

Tighter code for ventures

Joint ventures and associate companies will be subject to tighter reporting requirements, under proposals published by the Accounting Standards Board.

All associates and joint ventures are to be defined as "strategic alliances" and treated by the equity accounting method, the proposals recommend.

The details come in a discussion document issued by the board which could be turned into a more detailed draft standard by the middle of next year.

The proposals go beyond the existing requirements of companies legislation and SSAP1, the accounting standards on associated companies.

Joint ventures are currently subject to varying forms of accounting by companies.

Inheritance tax attacked

Inheritance tax imposes a higher real burden today than when it was introduced by a Labour government 20 years ago, according to the Country Landowners Association.

In a budget brief to Mr Kenneth Clarke, the chancellor of the exchequer, the CLA said it was "a scandal" that a government committed to low taxation and cascading wealth through generations should have increased the burden of inheritance tax on middle range estates.

Mr Hugh Duberly, CLA president, said: "Inheritance tax is a clear disincentive to wealth creation and saving, and an incentive to spend. The government must consider not only the grounds for retaining inheritance tax, but also how to alleviate the burden on those who aspire to modest wealth."

Eggar seeks sector views

Mr Tim Eggar, the new minister for industry and energy, is to launch an initiative to find out what key industrial sectors want from the government to help them improve their competitiveness.

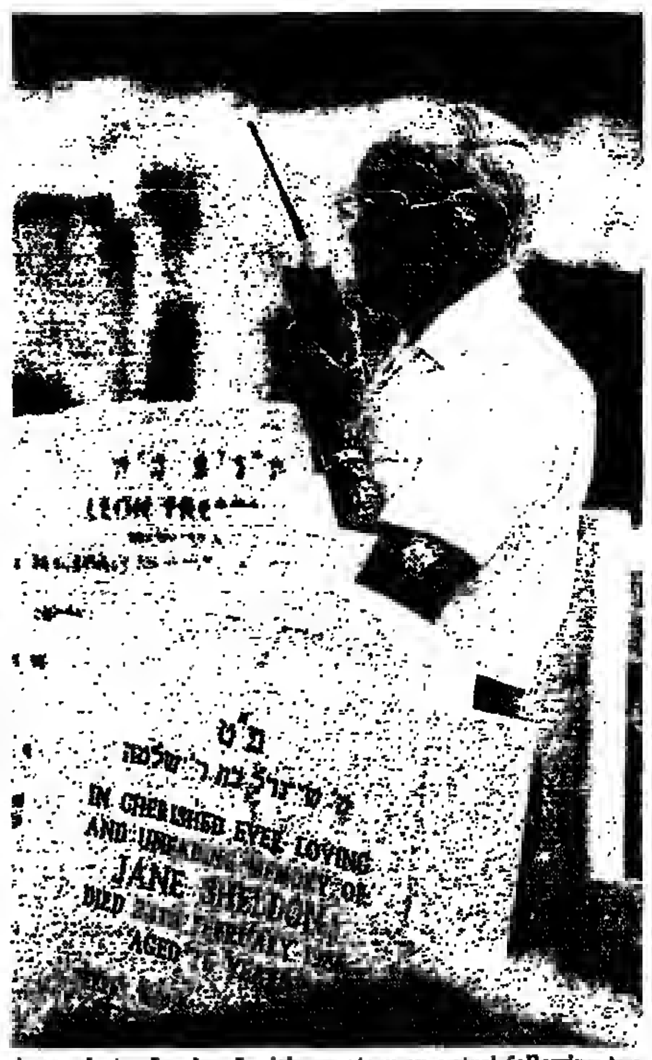
In his first briefing with journalists since last week's reshuffle – in which he took on the industry portfolio in addition to his energy responsibilities – Mr Eggar said the "biggest issue" for industry was competitiveness.

Mr Eggar said he had asked officials to find out from industrial sectors and sub-sectors the top three or four issues where government action could help them.

Repossessions fall 6.5%

The number of homes repossessed by mortgage lenders in the first six months of this year fell to 25,020 – a drop of 6.5 per cent on the number repossessed in the second half of 1993 – according to figures published yesterday.

Statistics from the Council of Mortgage Lenders also showed a decline in the numbers of mortgages in arrears.



A guard at a London Jewish cemetery on patrol following two attacks on Jewish targets within 24 hours. Police said that 100 key buildings would be given round-the-clock armed protection.

Boost for boat builders

The Ministry of Defence plans to invite tenders for an ocean survey vessel next month and to place the order by the end of the year, defence procurement minister Mr Roger Freeman said. The news is a small boost to attempts by French patrol boat builder Constructions Mecaniques de Normandie, the only prospective bidder for shipbuilder Swan Hunter, to generate a two year £50m workload for the threatened Tyneside company.

Cardiff Bay wins £200m overseas joint venture

By Roland Adburgham, Wales and West Correspondent

A Japanese and German joint venture to make television components, with a planned investment of nearly £200m, is to be set up at Cardiff Bay in south Wales. Up to 750 jobs are expected to be created in what is potentially one of the biggest inward investments yet in the principality.

The venture, between Nippon Electric Glass and Schott Glaswerke, will make glass for cathode ray tubes. The first customer will be the Sony television plant at Bridgend in south Wales, which at present imports these components.

NEG, headquartered in Shiga, Japan, and employing 8,000 people worldwide, will be the lead partner in the joint venture. NEG and Schott Glaswerke, part of the Schott Group based in Mainz which employs 17,000 people, considered other sites in Wales and Europe, including east Germany. Negotiations with Cardiff Bay development corporation began six weeks ago.

The factory is the most important manufacturing investment yet won by the corporation, which is responsible for regenerating 2,700 acres of old docklands. Site preparation for the factory will begin next month and production is due to start next year.

Initially, £30m will be invested and 70 people employed in grinding and polishing panels. But the joint venture intends to develop a fully integrated manufacturing facility for cathode ray glass over five years. Depending on the market, the companies forecast an investment of £193m and a workforce of up to 750 people over that period.

Mr John Redwood, Welsh secretary, described it as "an immense vote of confidence in Wales by two world leaders in their field. For them to choose south Wales over competing sites throughout Europe is further proof of our attraction to international companies."

NEG and Schott will receive an undisclosed amount of regional selective assistance from the Welsh Office. The corporation will provide financial help, which is still being negotiated, in the construction costs of the factory.

Major moves to counter Blair on policies

By Philip Stephens, Political Editor

Mr John Major last night promised fresh limits on the role of the state and an expansion of individual ownership as he moved to counter the threat to the Conservatives posed Mr Tony Blair's election as Labour leader.

Marking out the "clear water" between the Conservative and Labour parties, Mr Major said the government would use the second half of the present parliament to break down barriers between public and private sectors.

Among a range of individual initiatives, he pledged a significant expansion of the government's private finance initiative and a drive to reduce the number of bureaucrats in the National Health Service.

Whitehall departments would be required to demonstrate in the annual public spending round they had explored the option of private sector participation in particular projects.

In a wide-ranging speech, Mr Major signalled also that the government intended to make its commitment to constitutional stability a key part of the political battleground in the approach to the next general election.

Without mentioning explicitly Labour's plans for devolved government, Mr Major said he opposed changes in the constitutional settlement holding together England, Scotland, Wales and Northern Ireland.

His comments, in an address to the European Policy Forum, represented the first detailed response to Mr Blair's promise to take Labour much further into the political middle ground.

Mr Major declared last night: "I want people to have ownership of more of their lives, not just have things allocated as the state sees fit".

Mr Major reaffirmed the Conservatives' commitment to reduction in income taxes, pledging an extension of the 20p band as soon as finances allowed. Hinting that the first priority was to help improve incentives at the lower end of the income scale he said: "Our ambitions to limit taxes on the least well off are far from satisfied".

Moslem parliament introduces code to protect Halal meat trade

Alison Maitland sees the start of a struggle with the slaughterhouses

Mr Zahid Qureshi runs his halal meat shop in south-west London with religious passion. He is disgusted at what he regards as widespread abuse of the Islamic system of ritual slaughter. "I'd rather have less meat to sell, and fewer customers, but at least be selling genuine halal," he declared.

Mr Qureshi is at the cutting edge of a new system to regulate the halal meat trade introduced last week by the self-styled Moslem Parliament of Great Britain. He said the Asian community in Tooting Bec, where he works, was fed up with non-halal meat being routinely sold as halal.

He joined the certification system, even though it has pushed up the price of his meat, to avoid being "tarred with the same brush".

"The response has been unbelievable," he said. "Many customers from other shops have been coming to my shop and saying this is a fantastic system. They're saying they prefer to pay extra to know the meat is halal."

In halal slaughter, a Moslem must slit the animal's throat with one stroke of a very sharp knife while the name of Allah is recited. The animal is then completely bled. No other animal must be allowed to witness the slaughter.

The Halal Food Authority, which runs the system, has not met universal approval from Britain's estimated 2.5m-strong Moslem community.

Some see its intervention as divisive because it is acting without the blessing of all Moslem groups. Others in the meat business accuse the Moslem Parliament, led by the pro-Iranian Mr Kalim Siddiqui, of trying to raise money by cornering the market.

Yet Mr Ahmed Versi, editor of the monthly Moslem News, said: "Some people might not like the Moslem Parliament, but at least they've done something for the community. Why has the rest of the Moslem leadership done nothing about this problem?"

Mr Muhammad Ghayasuddin, chairman of the authority, said it was set up this spring because more than 80 per cent of the meat being sold as halal was in fact "haram", or forbidden meat. Much comes from poor quality carcasses picked up by traders for "knockdown prices".

"What's happening as a result of this plentiful supply is that the genuine halal trade is slowly contracting and is about to disappear," he said.

Mr Ghayasuddin said the authority's inspectors would supervise slaughter in abattoirs that join the scheme and would check warehouses, trucks and shops at least once a day. The inspection scheme would be similar to that of the Jewish kosher trade.

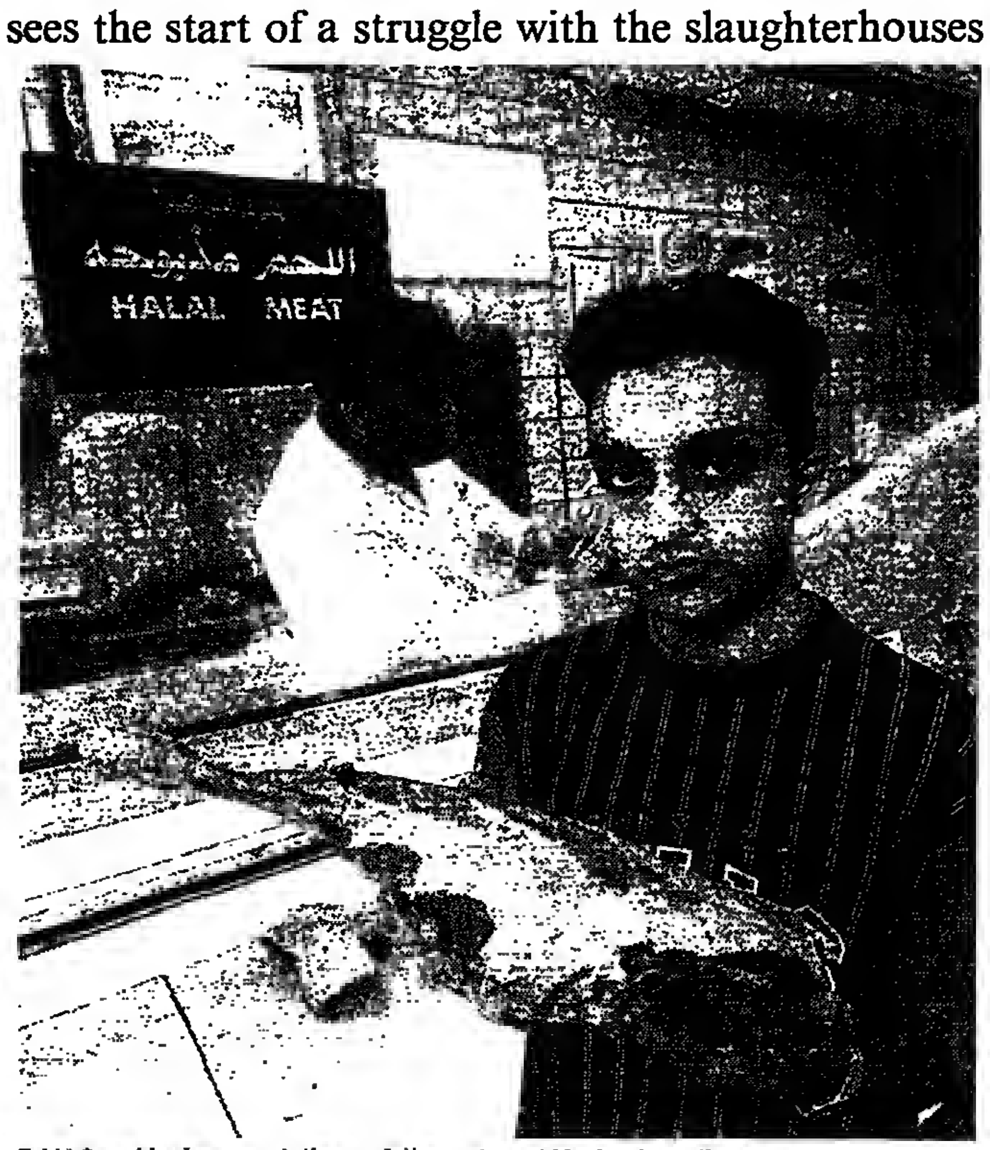
To pay for the inspectors, the authority is levying 8p a pound on red meat and 15p per chicken sold by approved retailers.

Mr Ghayasuddin admitted the halal trade was resisting the scheme and the bigger slaughterhouses had refused to join. "A prolonged struggle between the bulk of the trade that prefers its unregulated state and the HFA is certain," he said.

One halal abattoir manager, who did not want to be named, said the levies were unnecessary and the trade was already regulated by local authorities. While accepting that "a certain amount of meat sold is not halal", he argued there were enough Moslem-owned abattoirs in Britain to supply the community's needs.

The authority's insistence on traditional ritual slaughter also worries vets who supervise abattoirs. The Jewish and Moslem communities are exempt from legislation requiring animals to be stunned before slaughter. But Mr Martin Cooke, vice-president of the food hygiene division of the British Veterinary Association, said most Moslem abattoirs have nevertheless been prepared to accept pre-stunning.

Since the creation of the Halal Food Authority, however he said he knew of one abattoir that had been told by local Moslem leaders to stop stunning animals or risk losing its business. The abattoir management agreed, he said, because "they were being put in an impossible situation".



Zahid Qureshi, who supports the regulation system, at his shop in south-west London

MANAGEMENT: MARKETING AND ADVERTISING

Diane Summers on three European advertising markets' strong growth

Spending revival under way

The UK, Sweden and Greece are likely to see particularly strong growth in advertising expenditure in 1995, according to the latest forecasts from the UK's Advertising Association and the European Advertising Tripartite*.

After three consecutive years of falling expenditure in the UK, growth is forecast to accelerate to 6.2 per cent this year and 5.5 per cent in 1995. Says the forecast: "The UK has not seen this rate of advertising expenditure growth since the boom years of 1986-88."

Strongest real growth rates for 1994 are forecast for newspapers (8.3 per cent); radio (11.2 per cent); and cinema (7 per cent). Even struggling trade magazines are reported to be picking up, and the overall picture is likely to be similar in 1995.

In Sweden, recovery is expected this year as the economy improves: the forecast is for real growth of 5 per cent in 1994 and 6.5 per cent in 1995. The television sector is experiencing strong growth, mostly at the expense of newspapers and magazines, while the recently-deregulated radio sector will also increase its share of advertising.

In spite of the Greek economy being stagnant last year, total advertising expenditure grew by more than 8 per cent in real terms. The growth forecast for this year is 7.5 per cent and 6 per cent in 1995. The fastest growing sectors this year are likely to be television, newspapers and outdoor, while magazines should see some real growth in 1995.

In a separate Advertising Association publication**, an analysis of UK advertising spending in the first quarter of 1994 shows growth in all main media sectors.

Radio did particularly well, with revenue rising in real terms by more than 24 per cent, compared with the first quarter of last year. Outdoor advertising also did well, with an increase of almost 17 per cent.

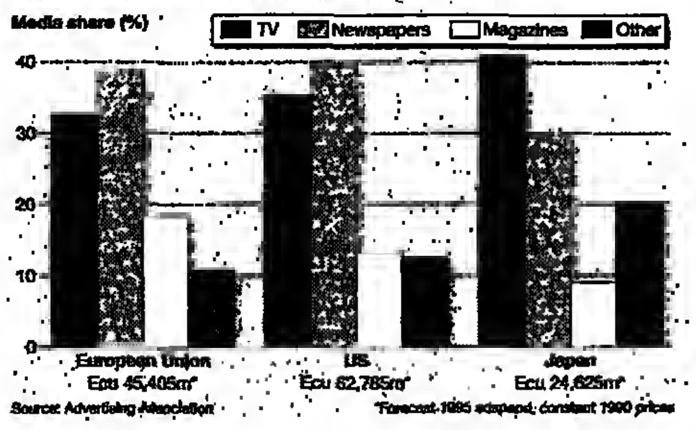
The quarterly survey shows that national newspapers, "fattened by the now sharply rising tide of classified job recruitment advertising, experienced a 12 per cent real increase over the same period".

Six product sectors showed double-digit growth in advertising expenditure during the 12 months to the end of the first quarter: pharmaceutical (36.5 per cent); office equipment (26.6 per cent); financial (24.3 per cent); retail and mail order (18.8 per cent); household equipment (15.7 per cent); and motors (14.2 per cent).

**European Advertising and Media Forecast. Subscription inquiries to NTC Publications. Tel (UK) 0491 574671*

***Quarterly Survey of Advertising Expenditure, Vol 11, No 2. NTC Publications, as above.*

Media shares and spending forecast 1995



Source: Advertising Association

*Forecast 1995 estimated; constant 1990 prices

The Castrol logo is displayed on some 4,000 signboards at roadside garages and motorcycle cleaning shops in Vietnam

Climbing the slippery slope

Victor Mallet looks at how Castrol made a name for itself in Vietnam

Castrol is hoping that its name will soon mean "lubricant" in the Vietnamese language, just as "Honda" is the popular Vietnamese word for motorcycle.

The UK-based lubricants multinational has already gone a long way towards that target in the past three years, and Castrol is a byword for successful brand name promotion among foreign investors in Vietnam's undeveloped but fast-growing market.

The green and red Castrol logo is prominently displayed not only in the streets of Ho Chi Minh City – the southern commercial centre that includes Saigon – but throughout the provinces of Vietnam, on advertisement hoardings, car stickers and, above all, on some 4,000 signboards at Vietnam's ubiquitous roadside garages and motorcycle cleaning shops.

Castrol says its own researchers have found that the company's rhythmic local slogan "Dau nhot tot nhat" ("Best quality lubricants") is recognised by a remarkable 99 per cent of people in Ho Chi Minh City. Airport check-in attendants even recite the slogan when they see a customer in a Castrol shirt, according to George Webster, the South African-born general director of Castrol Vietnam.

He says Castrol owes its marketing success in Vietnam to its early entry into the market, its choice of a good local partner and a bit of old-fashioned determination.

Castrol had been selling marine lubricants to Vietnam since 1981, and was one of the first wave of foreign companies to invest in production facilities when the communist government launched the policy of "doi moi" ("renovation", the Vietnamese version of perestroika) in the late 1980s.

The \$3.9m (£2.5m) joint venture company licensed in 1991 is owned 60 per cent by Castrol and 40 per cent by Saigon Petro, a fuel import and distribution company controlled by the Ho Chi Minh City people's committee, the communist local government. The joint venture opened its 25,000-tonnes-a-year blending plant near Ho Chi Minh City two years ago and employs 125 people.

At first Castrol Vietnam intended to concentrate on the market in and around Saigon, but it soon found its products travelling north and south through informal networks.

So the company established its own network of distribution agents in all but five of the country's 52 provinces, and operated its own delivery fleet. The peculiarities of the Vietnamese market mean that most provincial agents are state companies, while most urban ones are private; and in some provinces Castrol has two distributors, one for state and one for private customers.

The distribution drive was backed by television advertising and by the painted signboards. Each of Castrol's three sales teams is supported by a marketing services group. Working with the distributors, the salesmen identify a suitable shop; the marketing team finds a contractor to paint a sign for the owner and ensures the quality of the logo.

The first foreign investors in Vietnam were pioneers. Activities normally farmed out to specialised service companies, such as buying television airtime for advertisements, were handled by Castrol itself because such companies did not exist. "There's not a lot of external infrastructure," says Webster.

Despite its success in becoming Vietnam's brand leader in lubricants and in setting up a national distribution network, Castrol has found it hard to persuade the Vietnamese to switch from cheap, low-quality lubricants in drums to its more expensive packaged products.

The packaged product, at 15,000 to 17,000 dong (about \$1.50) a litre, is three times the price of the cheaper oil in drums, which used to come from the Soviet Union but is now imported from such countries as Taiwan and Thailand. "We are appealing to people who want to take care of their new motorcycles," says Webster. "It's a slow process. Our main thrust is to establish the Castrol brand in the consumer market and, with the high awareness, we get quite a good run-off in the industrial market."

The rival British company BP – in partnership with Petrolimex, the state fuel importer and distributor – is investing in a blending plant with a capacity of 50,000 tonnes a year and is marketing packaged and bulk products to consumers.

The two companies see eye to eye, however, when they need to protect their Vietnamese investments from cheap imports. One of the biggest headaches for the two – which between them have invested in enough capacity to serve the entire Vietnamese annual lubricant market of an estimated 75,000 tonnes – has been to ensure that government taxes and customs tariffs favour local producers over importers.

While Castrol was building its plant, tariffs on lubricants were unexpectedly lowered from 10 per cent to 1 per cent – which meant that Castrol would have been better off importing packaged lubricants from Singapore – although they have now been raised again to between 18 and 20 per cent.

But cheating remains common. No sooner had the watchful Castrol executives and their allies stemmed the flow of imported motor oil masquerading as "hydraulic brake fluid" (which enjoys a 1 per cent tariff) than they noticed a surge in imports of "rubber process oil".

Other foreign investors envy Castrol's marketing prowess in Vietnam, but they question whether it is possible to make profits in such difficult conditions. Webster says the profits may be small for the time being, but he insists Castrol Vietnam has made money from its first month and was quicker to get off the ground than Castrol subsidiaries started elsewhere in Asia in the last five years.

An early investment and effective marketing of products to Vietnam's 70m consumers were vital to Castrol's success, as Ian Pringle, Castrol International's director for Asia, made clear during a recent visit to the region. "We were fortunate enough to be faster than our competitors," he said. "We actually introduced consumer advertising to Vietnam."

When it pays to complain

A dissatisfied customer who complains is just as likely to remain loyal as a completely satisfied customer. This surprising state of affairs has been observed by British Airways, which has turned the handling of complaints into something of a science.

Charles Weiser, BA's head of customer relations, calculates that about 13 per cent of customers who are completely satisfied with BA's service may not fly with the airline again. "Perhaps they changed jobs, found a frequent flyer programme which better suited their needs, or maybe they felt it was time for a change of airline," he says, writing in the July issue of Consumer Policy Review, the journal published by the UK's Consumers' Association.

Half of all customers who experience problems but do not complain, do not intend to use the airline again. This contrasts with the customers who are dissatisfied but do complain – just 13 per cent of this group will defect, the identical rate of defection as the "satisfied" group, says Weiser.

Clearly, it pays to encourage customers to complain, and to encourage complaints departments to turn themselves from "blame" to "customer retention" departments, he says. Weiser's guide to satisfying complaints includes the following points:

- Apologise and "own" the problem. Customers do not care whose fault it was – they want someone to say sorry and champion their cause.
- Do it quickly – customer satisfaction with the handling of a complaint dips after five days.
- Assure customers the problem is being fixed. Complaints departments need to know their company inside out and work with front-line departments.
- Do it by phone. Many departments are frightened of the emotion customers often show when things go wrong, but customers appreciate a personal apology and assurance the problem will be solved.

Diane Summers

TECHNOLOGY

Computers changed the way Sun Alliance International staff use information, writes **Claire Gooding**

Salesforce put on the record

Salespeople are hard-working, self-motivated, gregarious and creative rather than disciplined, according to the stereotype. It follows that the typical salesperson dislikes the idea of a computerised *Big Brother* sales and marketing system, and would hate to record in detail every call and action. Nor would he enjoy the discipline of working from home.

Not so, according to Sun Alliance International, which now has two years' experience of its sales and marketing system, known as Adam – Agency Development and Management. In the past weeks, Adam has been rolled out to the entire 170-strong salesforce, having started with 26 home workers, known as OTRs – On The Road sales staff.

Although the idea of a PC-based sales system had germinated in SAI in the late 1980s, the prompt to develop Adam was an economy drive that closed 20 regional offices, and left 26 salespeople "rootless".

According to Peter Burrows, manager of the marketing and sales department at SAI, there was a strong drive to cut expenses in 1991. "We had a working party to examine the way we did business. What we found was a cumbersome organisational structure that had to be adjusted."

Sun Alliance International is a commercial insurance company, responsible for professional indemnity, shipping, or any insurance required by a company. Its parent Sun Alliance was founded in London in 1710, and now comprises four operating companies focused on overseas, life, UK, and international business.

Much of SAI's business comes to the UK from international customers. More than 80 per cent of its business comes from a network of agents, supported by a salesforce of

SOFTWARE AT WORK

140 across the UK. Their job is a long-term one of building relationships with the brokers and other intermediaries (agencies).

An analysis of the business written in various small offices, such as Carlisle and Lincoln, showed that SAI could not justify the overheads. SAI kept its 10 regional centres in cities such as Glasgow, Leeds and Manchester but closed the smaller offices, and pulled out of premises shared with other Sun Alliance operations.

The office closures gave SAI a timely opportunity to introduce computerised support for its sales staff. Paper-based systems were sketchy. "The sales executive's natural instinct is not to complete records. Too often the paperwork would be incomplete, or didn't tell the whole story," says Burrows.

The mainframe will always be needed at SAI to store policy records but a PC-based system was more appropriate to people whose job means they are often on the road. For the 26 staff who suddenly had no office, the system had to make it easy to communicate and share information, and also had to be easy to monitor.

Other requirements included managing large volumes of data, connecting easily with the mainframe and allowing easy updates.

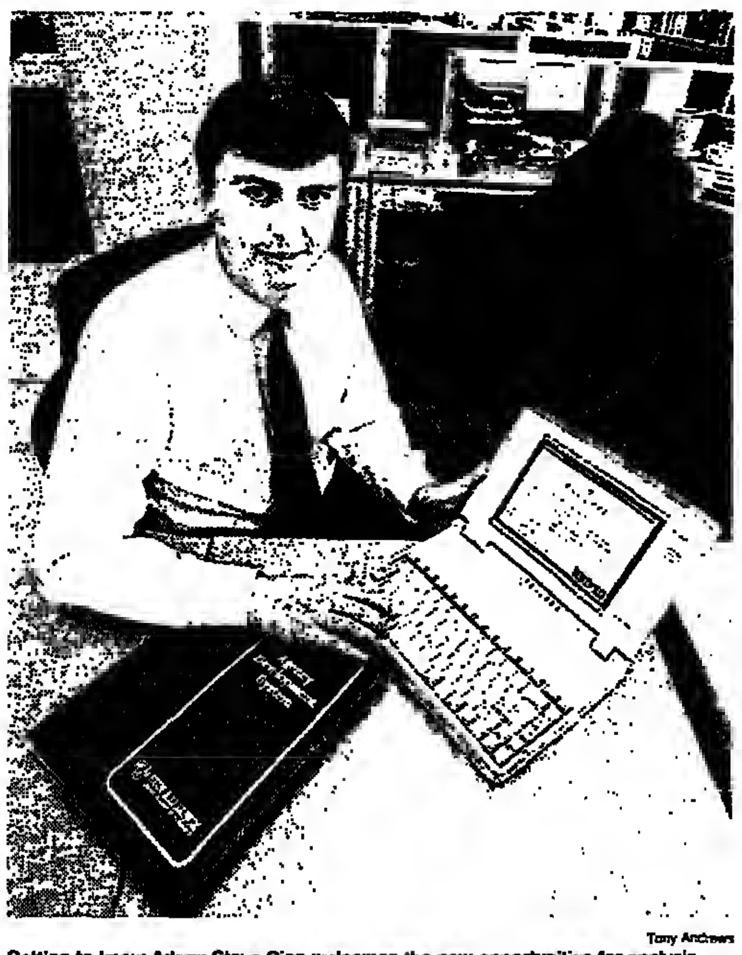
John Gimson, a marketing and sales manager responsible for the Adam development and implementation, looked at dozens of demonstrations. He found that few met the technical specification, and made a daring choice.

Adam is an in-house adaptation of a sales system called Oxygen, developed by Integrated Sales Systems of London. At the time, ISS was new and had no comparable customers. SAI turned this to its advantage, working closely with ISS to evolve Oxygen into Adam within the seven-month deadline. Three years later, the contract has been worth £450,000 to ISS for software and consultancy.

Oxygen differed from other sales packages in that it was developed from the view of field-based sales staff who need to share data with office-based colleagues. Although based on the Sybase database, widely used as a core system for building applications, ISS had built its own distributed database facilities which enable it to be adapted to large organisations with complex data distribution. Customer information is accessible by anyone: all view the same record, synchronised in an overnight update.

According to Burrows: "The beauty of a distributed database is that you can share the information across a wide range of people. Gone are the days of relying on a dusty set of papers in someone's car 100m away. Adam forces a discipline on people using the system: plan, action, monitor."

A series of workshops, training and planning meetings meant that the project evolved as needs became apparent. "It was a constant learning process," says Gimson. "The sad thing is that, because they are nomadic, the sales person is the one most remote from changes in office technology such as the fax or the photocopier."


Tony Andrews
Getting to know Adam: Steve Ginn welcomes the new opportunities for analysis

A large database of 4,000 agencies and 140 salespeople brought some technical problems. New methods, such as doing mass updates by modem, had to be tried out. "We worked it through," says Gimson. "We believed in the system enough to resolve them en route. It was a three-way partnership – us, ISS, the IT department. If you don't get IT and users working together you will never get a working system."

Steve Ginn, the sales development manager based in East Anglia, is one of the users whose working pattern has changed. He has been using his Toshiba T1900 laptop since December: "It has been a process of trial and error, exploring the 'safe play area' of replicated data. The system is functionally very rich."

His menu shows a task organiser, in-tray, electronic mail and standard user reports and inquiries. "I had no idea about computers, none at home. Any approach to 'the computer' was made through others. We could all see the quality this offered straight away."

When Ginn trained, the emphasis was on sales techniques, not management. "In 17 years with SAI, I have had various paper systems such as the Agency Record Book, but it was difficult to analyse the information. This has given me a far more structured approach, with full analysis and summaries – you couldn't do that with a card index."

He can analyse work on current campaigns and see instantly how long it is since he contacted clients. Currently seconded elsewhere for three months, Ginn has used Adam to append notes to the agency records for his account "caretakers".

SAI's three-year budget for the project of £200,000 a year has been financed from the savings made by closing offices. Every user now has a PC containing the Adam database. Some were implemented on existing PCs, but SAI had to spend around £250,000 on 100 laptops, 80 modems and the central server.

There have already been two hardward upgrades: one to an IBM RS/6000, another to 486-based laptops with faster communications. The initial software cost £270,000, but has been upgraded twice with £50,000 worth of extensions to store further marketing information, including industry coding for market sectors.

"One of the fundamentals of selling is an understanding of the customers' needs," says Ginn. "Once we know the customer sectors, we can start working more closely in partnership with brokers: the customer sees a far more professional approach."

Because of the office closures, SAI was not in a position to pick and choose the subjects of its first pilot scheme in April 1992. Now, two years later, and a few weeks after rolling out its system to the rest of its 170 staff, Gimson and Burrows see it as an advantage that it could not hand pick its guinea pigs.

The challenge of winning round disaffected staff was invaluable in preparing them for the wider challenge to come. They trained total novices on the keyboard, and worked to put at rest the fears of those who felt they were "expelled" from the cosy support of their office. The system has had its success stories: one user whose performance once gave cause for concern has become a home-worker and an enthusiastic and effective Adam user.

"You've got to open people's eyes to what the technology can do for them, and you can't do that overnight," says Burrows. "The vast majority, now they have seen it in action, see myriad advantages. Adam converts task response into customer care, and that is what the technology can help us do."

Cowpeas playing part in Aids fight

Deborah Hargreaves on a novel approach to genetic engineering

Bathed in artificial light in a sealed room at the headquarters of Axis Genetics near Cambridge in the UK, several humble cowpea plants are making their contribution to the search for an Aids vaccine.

The plants are infected with a common cowpea virus, but to that virus scientists have attached proteins containing parts of HIV, the virus believed to cause Aids.

This virus-protein combination will later be injected into mice to see if they produce antibodies to the virus. If this is successful, clinical trials of the resulting vaccine could begin on humans as early as next year.

Axis Genetics is the hi-tech arm of Agricultural Genetics, a biotechnology company which hopes to come to the UK stock market next year. "In some ways, this is really whacky science – there are so many different applications," says Iain Cubitt, Axis's managing director, of the plant viruses.

Other vaccines Axis is "growing" in this way include a medicine for foot and mouth disease and one for mastitis in cattle. The foot and mouth disease treatment is currently being tested on guinea pigs with cattle trials due to start next year.

"We've chosen applications where a huge amount is known about the viruses already and where we can grow different proteins on the plant," Cubitt says. The benefit of producing vaccines in this way is that the resulting treatments are very stable and do not need to be refrigerated.

This gives them a long shelf-life making it easier to transport them to remote places. Since one leaf can produce hundreds of doses, large amounts of vaccines can be grown in quite a small, enclosed area.

One of the biggest problems facing the company is the lack of public sympathy for genetic engineering. Cubitt stresses that public fears about a "rogue" virus escaping from field trials are misplaced.

"This whole room could produce 1bn doses of HIV vaccine," he says of the small laboratory where the cowpea plants are growing. "There will never be any need to grow them in the field."

In addition, the production process is simple: the leaves are ground up in a solution which is then placed in a centrifuge at a very high speed to separate the particles.

Axis, the pioneering part of the company's business, is also working with another arm of the company, Cambridge Plant Breeders, to manipulate the genes in crops so that they become resistant to certain pests. This eliminates the need to use expensive pesticides.

Farmers are under increasing pressure to restrict their use of chemicals and improve their environmental practices. This is likely to lead to increasing demand for bio-pesticides which the company also produces.

The agrochemicals industry currently totals around $26bn a year worldwide while organic pesticides account for less than 1 per cent of that. Analysts suggest that the bio-pesticides market could grow into sales of at least $2bn in the next 10 years.

That would be a huge leap for many of the small biotechnology companies involved in developing these products. But they will probably move into alliances with the big chemicals groups such as Ciba, Bayer and Norsk Hydro to distribute the products.

MicroBio, another arm of the company, has developed a way of rearing tiny worms called nematodes, which prey on slugs – a product which has huge applications in the gardening and agricultural markets. The product sold out when it was released to the home and garden market earlier this year.

One reason for the planned stock market launch is to raise funds for expansion. Agricultural Genetics' production of organic pesticides, along with its programme of manipulating genes in crops to make the plant resistant to certain insects, are projects which have created a lot of interest as farmers try to cut back on their use of agrochemicals.

Cinema/Stephen Amidon

Eyes on the teen market

NORTH (PG)
Rob Reiner

THE SANDLOT KIDS (PG)
David Mickey Evans

PARIS, FRANCE (18)
Gerard Ciccoritti

BOILING POINT (18)
Takeshi Kitano

NECRONOMICON (18)
Brian Yuzna, Christophe Gans, Shu Kaneko

WOODSTOCK (18)
Michael Wadleigh

The concept behind *North* is one of the more promising to inform a screen comedy this year. In it, a 13-year-old boy with the unlikely first name of North decides that his parents do not love him enough, especially since he regularly cleans his room and always gets perfect grades at school. So he does what any red blooded American would do – *he* hires a lawyer, who starts divorce proceedings against the folks. North wins the case and is given three months to find a new family who will love him for his true worth. If he fails, he must go back home or, worse, to an orphanage.

It is not hard to imagine what Frank Capra would have done with this material, a notion enhanced by the presence of a Frank Capra III as the first assistant director. But the direction of the usually reliable Rob Reiner fails to take advantage of the film's satirical possibilities, playing instead for the broadest possible laughs and most sugary emotions. North's parental suitors are little more than daft caricatures of mega-rich Texans, tourism-crazed Hawaiians and creepily holistic Eskimos.

As North, Elijah Wood is resolutely bland, while usually hilarious performers like Jason Alexander and Jon Lovitz labour beneath a script that never takes its eyes off the teen market. Bruce Willis's lugubrious presence as North's mentor only shows that the film's makers had more money than sense.

The Sandlot Kids is another willowy hymn to American boyhood. In it, Tom Guiry plays a 12-year-old who passes the summer of 1962 playing baseball with his friends. Their idyll is menaced only by the existence of the world's baddest dog beyond the sandlot's fence. When a prized ball falls into the hound's clutches, Guiry and company are forced to try to get it back, making for one of the more bizarre rites of passage movies to come along in quite a while.

David Mickey Evans's film is a largely amiable affair, coming unglued only at the end with a prolonged chase sequence. There is a genuinely funny moment where the boys try chewing tobacco for the first time, though the movie loses its claim to be an accurate slice of Americana when it has an ageing black baseballer (James Earl Jones) reminiscing about his days playing with Babe Ruth. The viciously racist colour line that kept blacks out of the big leagues was not broken until several years after Ruth's death.

Paris, France bills itself as erotically charged, though nowhere is there any mention of the fact that its abundant energy is all negative. Its central character, Lucy (Leslie Hope), is a Canadian fiction writer who suffers a serious block as she tries to write about an affair she had in Paris with a now-dead poet. Her creative occlusion is finally purged when her publisher husband introduces her to Sloan (Peter Outerbridge), a hunky boxer-turned-writer. They immediately embark on a torrid affair that includes sodomy, straight razors, leather chaps and, worst of all, lots of bad prose. The film ends with Lucy, her husband and Sloan together in bed, all three being chastised over the phone by Sloan's gay lover.

If this strenuous bedsmanship were cast as a black comedy it might have worked, but wit and laughter is rare in a film which takes itself as seriously as a heart attack. Director Gerard Ciccoritti seems to have intended a sort of "Last Tango in Toronto" in which tortured sex mirrors tortured souls. Unfortunately, the film is unable to transform the lustful into the lyrical, making for a nasty and jarringly pretentious affair. Despite the lurid couplings and ribald language, there is a strange puritanism lurking at the film's heart, a sense that sex can be either nasty or liberating – but never a joy in itself.

Despite being the most popular filmmaker in Japan, "Beat" Takeshi Kitano has yet to make a big impact in the English speaking market. With his latest effort, *Boiling Point*, it is easy to see why. To put it mildly, his sensibility takes considerable getting used to. This story of a wimp-turned-avenging angel is a curious blend of surrealism, black comedy and sudden violence. The best thing about it is Takeshi's ability to keep the audience off balance, though many viewers will find his uneven pacing and unresolved misogyny as hard to swallow as week-old sushi.

Another film that has cult written all over it is *Necronomicon*. Based on three short stories by the horror writer H.P. Lovecraft, it bypasses the normal conventions of plot and character to go comprehensively over the top at every possible occasion. Slime-spewing orifices, flesh-chomping zombies and globules of dripping flesh litter the film, punctuated by dialogue of the "I have a strong feeling we won't be seeing *him* anymore" variety. Fans of *Re-Animator* and *The Evil Dead* might find something of value here, though the squeamish would be advised to steer well clear.

Hippy-bashing has long been a popular sport, though watching the expanded cut of Michael Wadleigh's seminal *Woodstock* makes you wonder if the flower children might not have been on to something, after all. Sure, the Aquarian speeches of the likes of John Sebastian and Joan Baez sound like self-parody to modern ears. The public address announcements, meanwhile, are inadvertently hilarious, particularly the continuous updates on the quality of the LSD circulating through the audience.

But there is no denying the spirit of peaceful adventure at the heart of the whole mad undertaking; a lack of malevolence, angst and irony that seems positively Edenic a quarter century on. The music, remixed and cleaned up, sounds great, particularly the rousing festival opener by Richie Havens, the crooning melodies of Crosby, Stills and Nash, and the lyrical acid rock of Jimi Hendrix. Viewers should be warned that the expanded director's cut is now nearly four hours long, but those ready to take the plunge should thoroughly enjoy this grandaddy of rock documentaries.

Played for the broadest possible laughs and most sugary emotions: Elijah Wood and Bruce Willis in 'North'

BBC Proms

Back to new music

The BBC has a proud tradition of encouraging new music in Britain. However noble, this is work for which it is difficult to get recognition and the opportunity afforded by the 100th season of the Promenade Concerts is predictably one that the BBC has seized with alacrity.

Under the general theme of looking back, this year's programme incorporates a selection of past BBC Proms' commissions. There is no point in being sentimental about this. Many – possibly most – are heard once and never again. Even a Maecenas as bountiful and well-informed as the BBC only strikes lucky occasionally in the difficult world of contemporary classical music.

Ostensibly, the Proms' director has selected the half dozen or so works being revived this year, but in reality the sifting process has already taken place over the years. On Monday and Tuesday we heard again two of those which have found life for themselves beyond their first performances – each surviving through some popular appeal, though of different kinds.

Monday's choice was Nicholas Maw's *Scenes and Arias*. Written in 1962, revised four years later, it now has five Proms' outings to its credit. Its attraction is a sultry, sun-soaked romanticism, which involves orchestral textures so dense as almost to engulf the three female singers (here the splendid trio of Elizabeth Woollett, Susan Bickley and Jean Rigby). Although one can trace a descendency from Mahler to Tippett, Maw established a voice of his own in this score. All it lacks is variety: one gets sated by so much generalised richness before the half-hour is up.

On Tuesday, James MacMillan's *The Confession of Isobel Gowdie* (first performed in 1990) lasted the same length of time, but felt much shorter. The canny Scottish composer dramatises his material strongly and provides unmissable markers so that the audience knows where it is within the piece. Stravinsky is the main influence here, especially *The Rite of Spring*, but there is a drive in the music which cannot come just from emulation. As a single, near 30-minute movement, it is an impressive achievement and the BBC Scottish Symphony Orchestra under Jerzy Maksymiuk made an exciting job of it.

Each of the concerts also included a piano concerto. Monday's Prom had Mark Elder and the BBC Symphony Orchestra providing a spruce accompaniment for Mitsuko Uchida in Beethoven's Fourth Piano Concerto, but their tidiness remained prosaic, where hers became elfin-light precision. The next night Kathryn Stott was the soloist in a demure performance of Rakhmaninov's Third Piano Concerto, which made up in detail and musicianship what it lacked in animal red-bloodedness. One point to her credit: she played the big cadenza in the first movement with more right notes than I have heard before.

Richard Fairman

Where opera goes from strength to strength

Andrew Clark reviews 'Francesca da Rimini' at the increasingly popular Bregenz festival

Young and beautiful: the Bulgarian soprano Elena Filipova as Francesca

A glance across Europe's burgeoning festival landscape suggests that few have a more consistent record of success in recent years than Bregenz. While other festivals struggle to create or maintain their market niche, Bregenz has quietly gone from strength to strength.

It has made an asset of its geographical setting, drawing audiences from three countries around the Austrian corner of Lake Constance, and using the lake as a natural backdrop for performances on the floating stage. More than 200,000 people have bought tickets this summer, and for many it will be their first experience of opera.

Bregenz also proves that open-air spectacle does not exclude artistic seriousness: that much is guaranteed by the David Pountney-Stefanos Lazaridis production of *Nabucco*, which has returned for a second year with casts including Sergei Leiferkus and Rosalind Plowright.

To balance the popular fare outside, Bregenz chooses a rarity for performance indoors in the comfortable 1700-seat Festspielhaus. Catalani's *La Wally* and Tchaikovsky's *Mazeppa* have been staged in recent years (and praised on this page). This year's choice was Zandonai's *Francesca da Rimini*. Next year Harry Kupfer will direct a Russian cast in Rimsky-Korsakov's *Legend of the Invisible City of Kitezh*, while Pountney and Lazaridis return for *Fidelio* on the floating stage.

Bregenz owes its international reputation to a shrewd balancing of commercial and artistic priorities – largely the achievement of the current director, Alfred Wopmann. When he took over ten years ago, the festival attracted less than a third of the patrons it has today. Founded in 1946, it had survived on a diet of operetta fed to a predominantly local audience. Wopmann put the festival on a more independent financial footing, improved technical and rehearsal facilities, and upgraded the quality of performance. As a former violinist in the Vienna Philharmonic, who later built a successful career as a stage director, he knew exactly what he was doing.

Jérôme Savary's production of *Die Zauberflöte* in 1985 was the turning point. Box office jumped 25 per cent, and has continued to rise. State subsidy has also grown, but its proportion of the budget has dropped from 68 per cent to 33 per cent. Thanks to the festival, money is pouring into the region and the local authorities are investing Sch220m (£14m) in a new multi-purpose hall on the festival site, a useful insurance against inclement weather during rehearsals and an additional year-round performing space.

Wopmann, 57, has never courted controversy as a way of generating publicity. He avoids prima donnas. With 6,000 seats to fill each night on the floating stage, he says he cannot afford to be highbrow. "I'm not interested in a production with footnotes – the kind where the director needs to explain his intentions in the programme book. I'm a believer in *Kunst fur alle* – art for all. That does not mean we only deal in superficial entertainment. You have all the naturalism you need in the background setting here. On stage we want artists and public to draw the link with their inner nature."

He says he tries to choose directors for their ability to define the nucleus of a work, and to bring out its relevance for today. "Opera needs a lot of head, but ultimately it makes its impact through the emotions. When all the different components come together in the right way, when the artists give their all, the work shines alone and the audience identifies with the characters on stage. These are the moments when you can say art changes the world."

The Bregenz production of *Francesca da Rimini* may not have changed the world this summer, but it has certainly altered perceptions about a work which has traditionally been viewed with a degree of condescension. Based on D'Annunzio's cruel *fin-de-siècle* love story and premiered in Turin in 1914, *Francesca* is verismo distilled through a spectrum of late Romantic influences. That it emerged as a seamless whole in Bregenz is a tribute to the unified approach of the production team. The young Italian conductor Fabio Luisi drew all the rich Mediterranean atmosphere from Zandonai's instrumental palette, making it sound refined and clear-cut rather than mushy. Climaxes never descended into crude orchestral rhetoric, and there was a strong sense of forward momentum.

The sultry warmth of the instrumental colouring was reflected in Antony McDonald's decor and costumes – a seductively beautiful match of sight and sound, preserving the medieval setting in clean lines, haunting shades of pink and turquoise, and a sense of evening sun. Despite Wolfgang Göbbel's superb lighting, the Act 3 battle was a disappointment: the chorus hung around like supernumeries, and the scene ended with a risible attempt at "contemporary relevance" – a modern high-rise block going up in flames. Robert Fortune's stage direction was otherwise a model of discretion.

Francesca was sung by the Bulgarian soprano Elena Filipova. Her voice is not big, but the timbre is rich and clear, and she never forces. Young and beautiful, she looked the part. She was partnered by Frederic Kalt, an American whose physical stature and lustrous tenor made him an ideal Paolo. Philippe Rouillon captured both the ugliness and the humanity of Francesca's lame husband Giancotto, while Kenneth Riegel was in excellent form as the one-eyed ogre Malatestino. All Francesca's ladies-in-waiting deserved their solo bows, especially Lorena Espina, the sensuous slave girl.

A footnote for visitors: Bregenz itself is not very prepossessing. Instead of staying in an expensive lakeside hotel, try one of the charming villages in the surrounding region (I stayed at Hörbranz), where the inns are quiet and welcoming, and Bregenz is still only a few minutes away by car.

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage premieres his new work The Seven Streams of the River Ota, the river which runs beneath Hiroshima (Aug 14-21). Among the other theatrical works on offer are Goethe's *Torquato Tasso* in an English translation (Aug 15-20); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble's German-language production of Antony and Cleopatra (Aug 16-18) and a French-language production from Orléans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22), followed by the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of Fidelio. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ GLYNDEBOURNE

Trevor Nunn's 1992 production of Peter Grimes is revived on Sun with a cast headed by Anthony Rolfe Johnson and Vivian Tierney (repeated Aug 3, 6, 9, 12, 15, 17, 20, 23, 25). The remainder of the season consists of Glyndebourne's classic production of The Rake's Progress in David Hockney's sets (July 30, August 2, 5, 8, 11, 14) and the controversial new Simon Rattle/Deborah Warner production of Don Giovanni, with a cast led by Gilles Cachemaille (July 29, August 1, 4, 7, 10, 13, 16, 19, 21, 24). The verdict so far on Glyndebourne's new theatre has been extremely positive (0273-541111)

■ HELSINKI

The theme of this year's festival (August 21-September 11) is Great Britain. The festival opens with Handel's Messiah conducted by Miguel Gomez-Martinez. Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton, and there is to be a new ballet inspired by the images of Francis Bacon. Guest ensembles include the Michael Nyman Band, the London Sinfonietta and Los Angeles Philharmonic (Lippupalvelu Ticket Agency: tel 664466 fax 628007)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden (041-235272)

■ MACERATA

This year's operas are Carmen, La boheme and L'elisir d'amore. The Bizet, conducted by Alain Guingal and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armiliato as Don José. Giusy Devinu sings Mimi in the Puccini, and the Donizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara. The festival runs till Aug 13 (0733-230735)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit. This year's programme runs from August 21 to September 23. Visiting artists include Maurizio Pollini, Martha Argerich, Anne Sophie Mutter, the Royal Concertgebouw Orchestra, Ton Koopman and the Amsterdam Baroque Ensemble, and the Orchestra of La Scala Milan with Carlo Maria Giulini (021-963 5450)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (August 11-29) includes a new production of the one-act dramma giocoso L'inganno felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival of the 1992 production of Semiramide, with Roger Norrington making his Pesaro conducting debut; and L'Italiana in Algeri starring Jennifer Larmore (0721-33184)

■ SANTA FE

The most eye-catching feature over the coming week is the American premiere of Judith Weir's Blond Eckbert on Saturday. Francesca Zambello produces this and Il barbiere di Siviglia (continuing in repertory till Aug 26). This year's other new productions are Tosca, directed by John Copley with Mary Jane Johnson in the title role (till Aug 27), and Entführung directed by Graham Vick (till Aug 24). A revival of Göran Jarvefelt's 1984 production of Intermezzo completes the bill, with Sheri Greenawald and Dale Duesing as the Storchs (505-986 5900)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Ute Lemper presents a cabaret evening tonight. This weekend's orchestral concerts are conducted by Christian Thielemann and Seiji Ozawa, with a line-up of soloists including *Hermann Prey, Anne Sophie Mutter* and Maria Tipo. Saturday's concert is all-Beethoven, and Ozawa conducts Henze's Eighth Symphony on Sunday afternoon. Next week's concerts include performances of Schubert's Winterreise by Prey and John Harbison's new cello concerto by Yo Yo Ma. The festival runs till Sep 4
(Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City212-307 7171 other areas 1-800 347 0808)

■ TORROELLA DE MONTGRI

Torroella de Montgri is a small Catalan town six km from the sea on the Costa Brava, but it is not primarily a tourist resort. The town is architecturally typical of the Empordà, and is set in beautifully natural surroundings. The summer music festival, which runs till August 26, mixes Spanish artists of the calibre of Giacomo Aragall and Jordi Savall with international guests such as the Franz Liszt Chamber Orchestra and the Choir and Orchestra of the St Petersburg Capella (072-761098)

ARTS GUIDE

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FRIDAY
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SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Elegant exorcism of central bogeymen

BOOK REVIEW

THE RESURGENCE OF CENTRAL ASIA
– Islam or Nationalism?
By Ahmed Rashid
Zed Books, London, New Jersey, and Oxford University Press, Karachi. £37.95 ($59.95) hardback. £14.95 ($25) paperback. 276 pages

On a bleak border post in Tajikistan, a clutch of Russian "peacekeepers", caught up in a civil war, was recently shot dead. The deaths went almost unnoticed in the west, where most governments still look on Central Asia much as Marco Polo did centuries earlier: exotic, dusty, far away and prone to blood-letting.

But as the five ex-Soviet Central Asian states grapple with their new independence, violent events are starting to alarm outsiders. Russia has stepped up its demands for western approval for its role as "peacekeeper" in the area. So where is this turbulent region heading? The answer to that question has consequences not only for Russia and for Central Asia's neighbours, such as Iran, but also for the west.

The diagnosis in Ahmed Rashid's book, which provides the general reader with the first readable, thorough account of the region, is not entirely encouraging.

The collapse of the Soviet Union has tipped Central Asia into economic decline. But in contrast to other regions, the Central Asians have only a minimal sense of national identity. None of the five states of Turkmenistan, Tajikistan, Kazakhstan, Kyrgyzstan or Uzbekistan demanded independence, but they were tipped into it by the Soviet collapse. With powerful neighbours vying for influence in the region, the states' new-found freedom has left some of their governments looking distinctly dazed.

Faced with this uncertainty, the focus of the west has been on two bogeymen. One is Islamic fundamentalism, which alarmists mutter could radicalise these Moslem republics as they shrug off their communist past. The second is nationalism, which, it is feared, could lead to inter-ethnic conflicts in an area of rising populations and scarce land and water.

The strength of Rashid's book is that it challenges both of these familiar bogeymen. Nationalism, he points out, is not a good way to understand a region that has historically been dominated by a shifting patchwork of tribes and kingdoms. Central Asia's leaders are trying to create states based on boundaries arbitrarily carved out by Stalin, so national identities remain unstable.

This point is worth stressing. As nationalism replaces communism as the west's favourite demon, it is often forgotten that nationalism does not operate the same way in all the east European and ex-Soviet "nations". Many Central Asians still see their first loyalty as being towards a clan or particular region – and only second towards a nation. Consequently, there is as much conflict and rivalry within these nations as between them.

The advantage of this is that none of the simmering rivalries in the region has yet created a full-blown conflict between republics. Its drawback, however, is that it leaves Central Asians facing a post-colonial identity crisis. And in an area where most of the population adheres to Islam, the question is: could fundamentalism emerge to fill the void?

Rashid's approach towards this second bogeyman is insightful, partly as a result of his background as a Pakistani journalist who has worked for western newspapers. He combines the political perspective of an outsider with sensitivity towards Moslem culture.

Islam, Rashid acknowledges, has enjoyed a renaissance in Central Asia since independence. But this does not mean that the region is uniting around a single revolutionary flag. "Radical" Islamic movements have emerged in some of the rural valleys of Tajikistan and Uzbekistan. But the more mystical – and tolerant – strand of "sufi" Islam is also playing a key role in the revival. Meanwhile, Central Asia's governments remain secular in their outlook.

Fundamentalism could, Rashid acknowledges, gain more supporters if the economy deteriorates. Republics have come to independence with little industry and few transport links. Most of the regimes remain authoritarian. And though Kyrgyzstan and Kazakhstan have made some steps towards the market economy, reform has barely begun in Uzbekistan, Tajikistan and Turkmenistan.

Meanwhile, outside aid has been minimal. Though foreign companies vie for Kazakhstan's oil reserves, Turkmenistan's gas and Uzbekistan's tobacco and cotton, most western investors remain nervous.

But if Central Asian governments begin to embrace political and economic change, decline might be reversed, particularly in the resource-rich republics of Kazakhstan and Turkmenistan, Rashid concludes. The region is blessed with a literate population, a culture which is not averse to the market, and reserves of oil, gas, gold and cotton.

But if Central Asian governments cannot – or will not – act, then a cocktail of social pressures and worsening economic conditions could create grinding instability, particularly in the poorer rural areas of Uzbekistan and Tajikistan.

This second scenario would, as Rashid points out, be a tragedy for Central Asia. What perhaps he fails to stress sufficiently, is that it would also be of concern to its neighbours. Large Russian populations live in Central Asia, and Russia retains tens of thousands of troops in the region, ostensibly to promote "stability".

So far the soldiers have succeeded in bringing a lull in Tajikistan's civil war, by effectively propping up the authoritarian government. But Russia has little inclination to become involved in a second Afghan-style conflict, irrespective of whether the west would tolerate such an engagement. And though the "Afghanistan" scenario is remote, the possibility that an unstable Russia could be faced with further turmoil on its southern flank is reason for the west to keep watching Central Asia – and to welcome Rashid's well-written account.

Gillian Tett

ECONOMIC VIEWPOINT

No going back to Bretton Woods

By Samuel Brittan

The Bretton Woods system, which was established 50 years ago this summer, and which broke down after President Nixon floated the dollar in the early 1970s, has often been described as a fixed exchange rate system.

The description is a caricature of the intentions of the founding fathers. The latter were, above all, determined to avert the disruptive forces which destroyed an open world economy between the wars. On the monetary side they saw these as being competitive devaluations and countries being forced to adopt excessively deflationary domestic policies by the need to defend fixed exchange rates.

For this reason they devised a system of "par values" which were meant to be fixed but adjustable. The following devices were meant to guard against both competitive devaluations and deflationary pressures:

- An ample supply of credit for countries in balance of payments difficulties.
- The ability, and indeed the requirement, to adjust parities in the face of a fundamental disequilibrium.
- Equal obligation on surplus countries to adjust. A "scarce currency" clause allowed members to discriminate against a surplus country which refused to conform.
- (Often forgotten) Capital controls were accepted as an integral part of the system.
- Member countries had to keep their currencies within a narrow range against the dollar. But the US itself was obliged to convert dollars into gold at the unrealistic prewar price of $35 per ounce to legitimate monetary authorities.

All these elements broke down. IMF credit was not as large as Keynes intended, and his hoped-for international unit, "bancor", was never established. But for most of the postwar decades the problem proved to be inflation rather than deflation; and the much-discussed shortage of international liquidity (which meant roughly official reserves plus borrowing ability) proved a myth. Capital controls leaked well before free market fashions led to their abolition.

"Fixed but adjustable" exchange rates proved a chimera, because, if any government professed other than an undying attachment to its parity, its currency was overwhelmed by speculative flows. With the freeing of capital movements, the current account was no longer the only influence on a currency's international value.

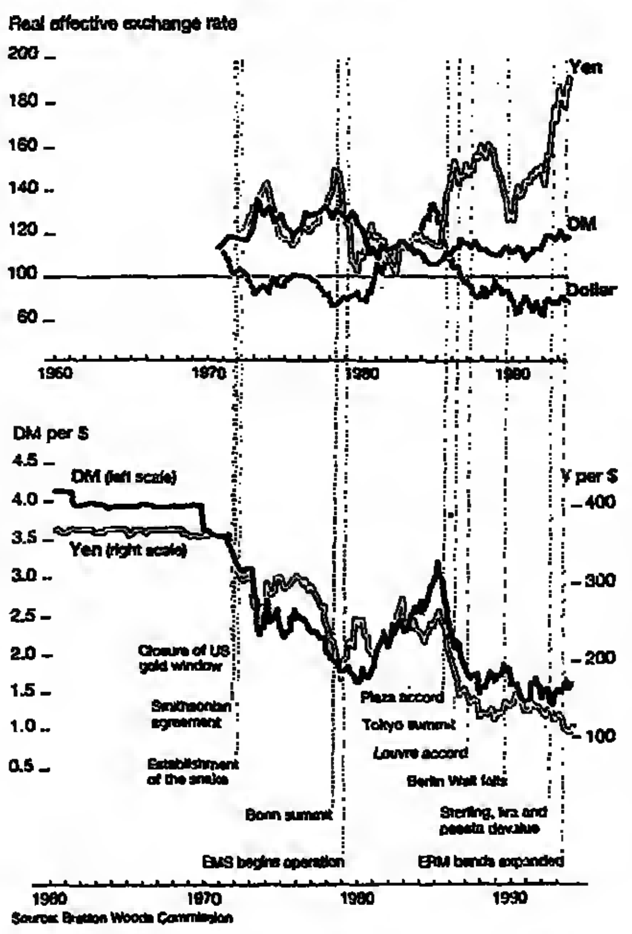
In its last few years, Bretton Woods became frozen into a system of "reluctant adjustment". Countries held their parities against the US dollar as long as possible, a leading example being Harold Wilson's stubborn defence of the sterling parity between 1964 and 1967. The end of Bretton Woods was triggered by the inflationary financing of the Vietnam war, which made countries increasingly reluctant to hold their reserves in dollars.

Since then the main international currencies have been floating against each other. How well has floating worked? Enthusiasts on both sides have been discomfited. We forget how many establishment figures solemnly told us that floating rates could not work. On the other hand all those economic theorists who expected easy and gradual adjustments have proved equally mistaken. Nor have countries gained freedom to run domestic monetary policies exactly as they liked. Governments have indeed had the option of running inflationary monetary policies and sinking exchange rates; but holders of their currencies have eventually demanded an interest rate premium for doing so. Countries have been able to have lower *real* interest rates than their trading partners only in temporary and exceptional circumstances.

The material assembled by the independent Bretton Woods commission, chaired by Paul Volcker, has shown floating to have been anything but a smooth ride. The volatility of the D-Mark-dollar exchange rate, judged by the monthly percentage change, has quite often been near 10 per cent and has rarely been very low.

Business can probably learn to live with short-term volatility. More worrying have been the medium-term swings shown in the chart on this page. In the mid-1980s there was a sharp boom in the dollar which took its value to 50 per cent above anything that could be justified by inflation differentials. The yen has since not only drifted upwards but shown large medium-term swings and is now even more ridiculously overvalued than the dollar was in 1985.

Major currency fluctuations



Source: Bretton Woods Commission

Have these fluctuations held back real activity? The Bretton Woods Commission has yet another chart showing how average growth rates in the Group of Seven main industrial countries declined from nearly 5 per cent a year before 1973 to 2¼ per cent in the following decades. It also shows a jump in fiscal deficits and a decline in total savings and investment. But it would be a brave soul who could confidently attribute these changes to floating exchange rates.

The first decade and a half of floating was also associated with near double-digit inflation in the main industrial countries. In the past few years, however, inflation has subsided to the levels of the early 1960s. What has become clear, however, is that convergence on low inflation rates is insufficient to produce stable exchange rates.

The biggest intellectual change since the old battles between fixed and floating rates has been a loss of belief in the ability of inflationary policies to stimulate an economy. Depreciation, if long continued, is only a way of accommodating higher inflation than partner countries and is ultimately self-defeating. There has also been a loosening of the perceived link between exchange rates and current balance of payments surpluses or deficits. If they are a problem – which they may not be – these imbalances reflect gaps between domestic savings and investment which can be tackled, if at all, only through fiscal policy.

Why not then abandon the attempt to seize fleeting advantages from temporary depreciation or appreciation for the benefit of predictable locked-in exchange rates or even a world currency? This, after all, happens inside the US, where in exchange for the benefits of a common dollar, states such as Texas or California have to accept a Federal Reserve monetary policy relating to average US conditions.

Central bankers blame fiscal deficits both for exchange rate volatility under floating rates and for the difficulty of making an early start on a new fixed system such as European economic and monetary union (Emu). Mainstream economists also say that there are no tax and transfer mechanisms among the G7 or even the European Union on a scale corresponding to the US tax and social security system. But there was no such transfer mechanism even under the pre-1914 gold standard.

Recent attempts to establish target exchange rate zones in the 1980s or narrow bands in the exchange rate mechanism (ERM) have basically failed because of the absence of a linked monetary policy. Can there be such a policy in the absence of a single government? The experience of the gold standard suggests that there can be.

The proposed European central bank, if and when it gets off the ground, should be an instructive pilot project. Meanwhile, the accident of the earth having turned round the sun 50 times since Bretton Woods will not bring a systemic change any nearer. For the time being the comment of Ernest Stern, managing director of the World Bank, about what is likely to follow the 50th anniversary of Bretton Woods is the wisest available guide. He simply said: "Well, the 51st anniversary."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolutinn

Nothing gifted about SDRs

From Professor K Alec Chrystal.

Sir, Peter Norman (Economics Notebook, July 25) stated that "... a general SDR increase would benefit wealthy industrialised countries more than the disadvantaged". If this were true, the wealthy countries would surely have been more positively inclined towards issues of special drawing rights. In reality, it is false, notwithstanding the fact that allocations in proportion to quota allocate more SDRs to the wealthier nations.

The mistake lies in a misunderstanding of what SDRs are. A newly allocated SDR is not a gift of money, rather it is the gift of a right to borrow money. The rate charged on such borrowings is a weighted average of money market rates in the five currencies that compose the SDR. The largest OECD governments can already borrow on the finest terms, so giving them extra rights to do so gives them nothing.

Poorer countries cannot borrow on the finest terms, so it is the margin between what they would be charged and the SDR interest rate (times their SDR allocation) which is the size of their gain. In effect, the extra risk is spread throughout the international community, though there may be a net welfare gain from risk pooling.

The error has been committed, since the invention of SDRs, to include SDR allocations in official reserves. We do not count unused credit lines in the money stock. Reserves should include only holdings of the SDR in excess of allocation. In short, the issue of SDR allocations should be seen as the allocation of a borrowing line st prime rates, rather than as a gift of new money.

K Alec Chrystal,
City University Business School,
Barbican Centre,
London EC2Y 8HB

Tragic waste of skills

From Mr Roy Swanston.

Sir, The inflationary rises in construction pay you reported on July 22 ("Shortages push construction pay 'above 1980s level'") are an alarming but predictable result of the short-termism that has bedevilled the industry for many years.

The RICS quarterly construction survey to be released this week will show that more than 50 per cent of respondents expect to encounter skills shortages in the next three months.

We do not advocate a return to the total planning that suffocates initiative. But it must be clear that only long-term commitment by government and the institutions will allow contractors and professional firms to build teams and nurture essential skills. To have to shed staff just as they are about to realise their potential is soul-destroying at a human level and a tragic waste of investment in any industry.

In a sector as important as construction, it threatens the price stability which has been so hard won.

Roy Swanston,
president, Royal Institution of Chartered Surveyors,
12 Great George Street,
Parliament Square,
London SW1P 3AD

Not to be cast out this time

From Mr Ben Temkin.

Sir, I note Mr Sol Kerzner, the South African hotel tycoon, has proposed building a $450m Holy Land "Sun City" in Israel's Timna Valley, provided he is granted a casino concession (World Trade News, July 22). A reconstruction of King Solomon's temple, perhaps? Will the money-changers have secure tenure this time?

Ben Temkin,
Hoofdweg 639,
2131BC Hoofddorp,
The Netherlands

Better slow – and authoritative

From Mr Mike Hollingworth.

Sir, the Monopolies and Mergers Commission report into the supply of new cars was indeed slow ("Monopoly panel rapped as toothless", July 26), but it was very thorough. It cost the UK motor industry millions of pounds to supply the MMC with the information it sought. The evidence enabled the MMC to conclude, with authority, that the motor industry was not abusing its market power or operating against the public interest.

Surely a large, highly complex industry employing three-quarters of a million people requires thorough consideration by an independent panel of experts if massive damage to Britain's industrial structure is to be avoided. This must be better than precipitate action by other bodies, like the Consumers' Association, which appear to have already made up their minds before they start an investigation.

Mike Hollingworth,
head of policy,
Society of Motor Manufacturers & Traders,
Forbes House,
Halkin Street, London SW1

Analysis sets back understanding of growth in unemployment

From Professor E S Phelps.

Sir, I have carefully argued that the steep rise in the "tax wedge" between the employer's labour cost per worker and the employee's after-tax wage is a major source of the climb in the natural rate of unemployment in western economies over the 1970s and 1980s, especially in continental Europe where this rise was generally steepest. Alas, the acute analysis by Samuel Brittan ("'Wedge' versus 'social wage'", July 21) will be seen by many readers as refuting that contention, and thus setting back markedly our understanding of the secular elevation of unemployment.

He is right that popular expositions fail to clarify why the hated payroll tax is damaging for the natural rate, and likewise personal income tax, while the admired VAT is not. Right, too, about the necessity to leave room for other factors. But wrong to reason that, since the popular treatments are inadequate, there can be nothing in the idea.

The whole difficulty stems from the unfortunate premise in popular treatments – a crude version of real wage rigidity: nothing will induce workers to accept a reduced real wage at a given unemployment rate. (Only an increase of unemployment can wring a cut in the real wage.)

"If workers have the market power to make employers recoup in higher pay the burden of payroll taxes, they also have the power to recoup other taxes levied directly on their incomes or expenditures", says Samuel Brittan. On this premise, it is true that a shift from payroll taxes to VAT would not lower the natural rate. The workers would require the same net wage from companies, and the government the same tax, so the unemployment rate would not be affected.

The contrasting premise of my *Structural Slumps* (Harvard, February 1994) is that the real wage required at a given unemployment rate to mollify the workers – to keep at cost-effective levels their propensities to quit, shirk and strike – is a function of the non-wage resources the workers can fall back on: the real income from their private wealth and from their so-called social capital consisting of welfare entitlements and ties to family and friends.

On this improved premise, the theory implies that value-added taxation, unaccompanied by exemptions, is theoretically neutral for the natural rate. It lowers the real value of workers' non-wage incomes as much as it lowers the real value of the wage their employer can afford to pay them. As a result, the real wage required for cost-effective worker performance falls, and by enough to accommodate the reduced real wage that employers can afford.

The trouble with the payroll tax is that, since it does not reduce workers' real non-wage resources, it does nothing to reduce the real wage required for cost-effective worker performance. Thus the reduction caused in the wage that companies can afford to pay is not accommodated by a real-wage cut. An increase in the natural unemployment rate is the result.

All of this is supported by the econometric findings.

Edmund S Phelps,
McVickar professor of political economy,
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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Thursday July 28 1994

The task for Mr Berlusconi

If it is true that revolutions devour their children, then Italy could be preparing for a rather indigestible feast. In elections four months ago, Mr Silvio Berlusconi gained the prime ministership at the helm of his Forza Italia movement with a mandate that could not ignore cleaning up corruption. Following signs this week that Mr Berlnsconi's Fininvest company may have been involved in malpractice, doubts are increasing whether he has the ability or will to achieve this mandate.

With some justification, Mr Berlusconi has been seeking to accelerate the wearisome judicial process affecting politicians, functionaries and business executives implicated in corruption inquiries. Some peopla detained on suspicion of bribery during the last two years have undoubtedly suffered from miscarriages of justice. Earlier this month, Mr Berlusconi introduced a decree limiting magistrates' powers of arrest in corruption cases, hut quickly withdrew it after a public outcry.

Accelerating the judicial process – and limiting abuses of judicial power – *may* well be *desirable*. The problem is that Mr Berlusconi cannot be regarded as impartial. In his two months in office, for example, he has shown insufficient readiness to resolve the basic conflict of interest caused by Fininvest's dominant media position. The admission this week by lawyers acting for a Fininvest executive that the company paid bribes to the country's financial police has further damaged Mr Berlusconi's credibility. More urgently than ever, Mr Berlusconi must now separate his interests as a businessman from his duties and responsibilities as Italy's prime minister. Ideally, he would make a clear-cut public statement detailing any past Fininvest impropriety, combined with a firm commitment to divest his holding.

Without such action, any government attempts to influence the bribery investigations, for instance by bringing in milder treatment for less severe misdemeanours, would increase suspicion that the prime minister is simply protecting his business interests. Further, the fall-out of the corruption dispute risks undermining the broader programme for Italian renewal. Sharp divisions in Mr Berlusconi's coalition are lowering the chances of implementing the rigorous budget the country needs. Additionally, political uncertainty has damped prospects for further privatisation, a pivotal part of economic reform.

If Forza Italia's popularity starts seriously to wane, the Northern League, Mr Berlusconi's main coalition partner, could grow *bolder* in *underlining its own anti*-corruption credentials, perhaps to the extent of bringing down the government. Early elections would do little to increase the chances of stability, and might bring fresh political fragmentation. Mr Berlusconi was elected ostensibly to remove tha conditions under which corruption and malpractice flourished in the past. Unless he puts himself above suspicion, his chance to perform that task will soon slip away.

Major's soliloquy

The prime minister stood like Hamlet last night and proclaimed, in effect, "T B or not T B: that is the question". Tony Blair or not Tony Blair is the topic of today's British political discourse. The new Labour leader has pilfered some of the Conservatives' best thoughts, such as respect for the family, toughness on crime, and a willingness to embrace a dynamic market economy. He has added others, notably the notion that individuals benefit from strengthening the community. Although not stated to be such, last night's lecture to the European Policy Forum constituted Mr Major's considered response to Mr Blair.

It was pedestrian. Mr Major recounted his government's record and listed its policies. The theme was that Conservatives favour limited government. He did not mention Mr Blair, who seeks to persuade us that more government would be beneficial. Conservatives, Mr Major intimated, regarded economic growth as an opportunity to reduce taxation. "Others" (aka Blair) talked of using growth to pay for their pledges. This meant "expropriating the benefits of growth from those who created it". Mr Major will expand the 20 per cent income tax band one day. A better way of helping low earners would be to raise tax thresholds.

Hamlet differs in another important respect from the Prince of Denmark. Mr Major rejects constitutional reform. Mr Blair promises an assembly for Scotland, and the ejection of hereditary peers from the Lords. The Labour leader would abolish the quango state, returning powers to alected authorities; Mr Major would expand the network of appointed boards that has sprung up since 1979. There is a genuine difference between those who regard the proliferation of health service trusts, grant-maintained schools and the like as decentralisation and those who regard the making of all these appointments by the central government as an enhancement of undemocratic central control. Since the finance is centralised, the Blair argument has strength.

Somewhat petulantly, Mr Major reminded us that in the 1992 election campaign he repeatedly spoke of a welfare state that gave a "hand up" rather than a "hand out". That is precisely Mr Blair's policy today; maddeningly for the prime minister, the leader of the opposition is the more famous for it. The same might be said of the aspiration to expand nursery education, when resources permit. This is a bipartisan slice of pie in the sky.

Mr Major recalled Conservative successes, such as privatisation, sales of council houses, the citizen's charter, deregulation, and the drive to hring private finance into public projects. All were originally opposed by Lahour; it is questionable whether any will be when the party is modernised by Mr Blair. In truth there are distinct differences between the two principal actors on the UK's political stage, but the audience may be forgiven for mixing them up.

Social Europe

The white paper on European social policy marks an important watershed in the complex, and often rancorous, debate about the European social dimension. Five years after the launch of the social charter and 18 *months* after the arrival of the single market, the *European Commission is at last* signalling a highly deairable period of consolidation.

The white paper will not convince tha Euro-sceptics in the UK govarnmant of tha case for Europe-wide minimum standards. And some rather complacent rhetoric about the superiority of the European model will, no doubt, cause them great irritation. But that is not the point.

The European social dimension will not – and should not – disappear. But it badly naeds more restraint and more rigour. It is hard for a document written by committee to provide such rigour, and this document has its fair share of confusion.

Nonethaless, tha underlying agenda of the white paper is a welcome departure from the bombast of the past few years. It places a welcome emphasis on subsidiarity. It openly acknowledges *the dispute over labour* market regulation, and stresses taking stock rather than plunging on with more legislation.

When it does call for action it is generally in sensible areas. It wants far more work done to ensure that the directives which have been passed are actually implemented. The UK can be proud of its record here. It also, like the UK government, wants to make sure that the rules governing labour mobility work better and, indeed, wants to extend them to cover things such as occupational pensions.

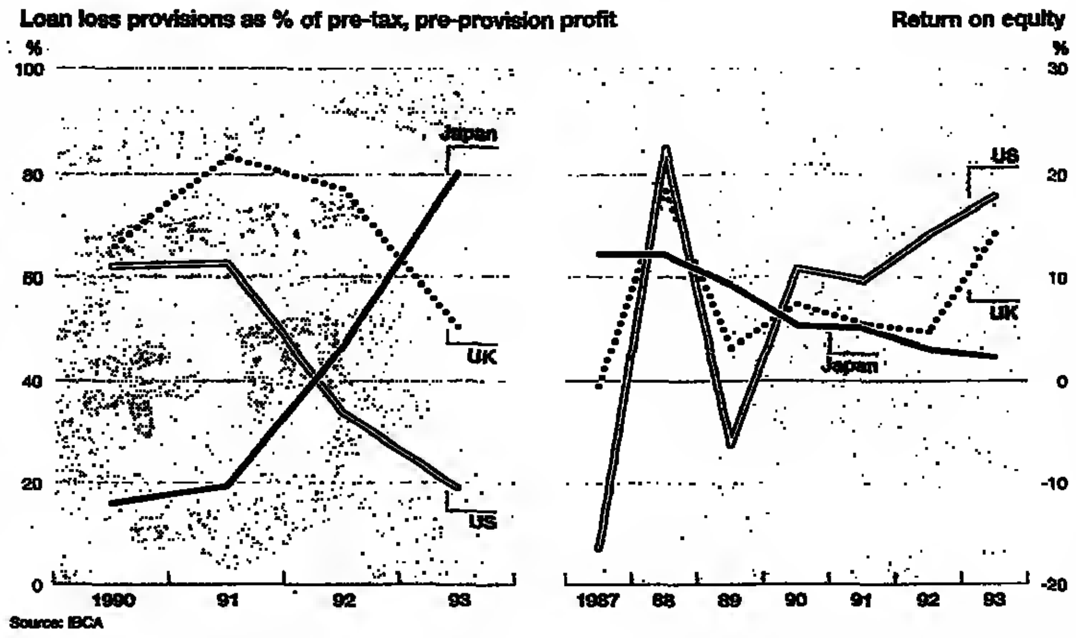
This more cautious agenda is partly a reflection of the fact that *there is now a substantial* body of legislation to place, mainly in the relatively uncontroversial areas of mobility, health and safety, and equality between men and women. It also reflects the fact that several member states, notably Germany, do not want to allow a big regulatory gap to open up between the UK – with *its Maastricht* treaty "opt-out" from some legislation – and the other 11 states. This must be regarded, at least by the UK government, as a success for the opt-out policy.

It is true that the white paper does talk abont possible future fields for legislation. The mention of individual dismissals may well cause particular anxiaty to employers. But overall there is scarcely a single new hard commitment to new legislation to this document. The new image for Directorate-General Five, tha social affairs directorate, appears *to be that of a think*-tank rather than of Europe's labour ministry. Indeed, the white paper explicitly talks about the Commission acting as a clearing house for good ideas from different countries or as a broker, able to "pick and mix" best practice from around the EU. Among other things, it might ask itself whether all aspects of past regulation are sacrosanct.

Gerard Baker and **Emiko Terazono** ask if Japanese banks can shake off their bad debt problems

Survival at the margins

Japan's banks: the nightmare continues



Source: IBCA

This morning, in one of the stark concrete hlocks that scar Tokyo's financial district, the denizens of Japan'a banking community gather for their annual convention. They will be addressed hy a glittering array of speakers, including Prime Minister Tomiichi Murayama, central bank governor Mr Yasushi Mieno, and most members of the financial aristocracy.

The message they will hear is that the long night of Japan's banking crisis is over. Fortified by the drink and the canapés, some of them may believe it.

Since they published their annual results in May, the country's 21 main banks have been anxious to claim that the worst of the had debt nightmare that has haunted them for the past four years is over.

The reality Is different. It is doubtful whether the bad debt problem itself has reached the end of the beginning. But more troublesome for the banks is that their ability to deal with the problem is increasingly constrained because profits – out of which banks make provisions for bad debts – are stagnating.

The banks' reversal of fortune has been *rapid. Enriched* by *the country's* vast current account and savings surpluses of the 1980s, they were respected and feared in boardrooms across the world. Now, though still the largest – occupying 11 of the top 20 slots in the world *league*, measured by *assets* – the past four years have revealed that *size is no substitute for strategy*.

The opacity of Japanese accounting practices means it is not easy to gauge the true scale of the banks' problems. But even the most creative of accountants could not disguise for long the consequences of the collapse of the "bubble economy", the period of spiralling asset *prices in the late 1980s. Banks*, heavily exposed to an overgrown property sector, watched helplessly as the collapse came. In the past three years the valua of non-performing loans has nearly doubled.

This year the banks have seen the first signs of hope. Total disclosed non-performing loans fell by *1.3* per cent from last September to Y13,600bn (£90bn) at the end of March – the first fall over a six-month period since the crisis began.

There has also been a greater sense of realism by the banks. Initially, their response to the rising level of bad debt was to wait for a return to economic growth to ease their difficulties. In part, this was because they were labouring under a regulatory regime run by the Ministry of Finance which, with an eye on tax revenues, frowned upon bad debt provisions, since they are offset against tax.

But last year, as the ministry *loosened* the *reins, banks* began to make sensible provisions. This year, write-offs and provisions at the 21 leading banks totalled Y3,855hn. *Provisions as* a proportion of *dis*closed problem loans rose from 28.9 per cent in March 1993 to 33.5 per cent a year later.

Sumitomo Bank is one bank that has become much more hullish about its prospects. "Our aim is to complete the strategy of dealing with problem loans in the current financial year. Current levels of provisioning mean we are on course to achieve that," says Mr Kensuke Uchida, a senior manager.

But this view is almost certainly too optimistic, because the level of problem loans disclosed by the banks under-represents the real total. The hanks' figures do not include restructured loans, on which interest rates have been cut to keep borrowers solvent. They also excluda loans made to the hanks' housing affiliates, whose own prodigality in property-related lending makes the banks look prudent. Industry estimates suggest that *some* of these companies have problem loans equal to more than 60 per cent of their loan book.

These factors lead observers to *estimate* that *banks' real problem* loans are closer to Y30,000bn than the Y13,600bn officially disclosed. Some banks are much better placed than others: problem loans at Mitsubishi Bank are estimated at 3.6 per cent of total loans, while the figure for Hokkaido Takushoku Bank is 7.4 per cent. But for the sector as a whole, estimated bad loans represent nearly 6 per cent of the loan book, a figure that suggests that, even without further shocks such as another sharp fall in the property market, the backlog may take five years to clear.

The prohlem of poor lending would not be so great if the profitability of Japanese banks were not among the lowest in the world. Moody's, the US credit rating agency, estimates that banks' profits before provisions for bad debts are less than 0.4 per cent of total assets, compared with 2.4 per cent for US banks and 1.7 per cent for banks in the UK.

Worse still, contrary to the prevailing wisdom, the banks' low margins are not the product of big overheads or overmanning. *Operating* expenses as a percentage of risk assets are mucb lower for Japanese banks than for their American counterparts.

The fundamental difficulty is weak revenue. Japanese loan spreads, the difference between lending and horrowing rates, are razor-thin. Core earnings (before taxes, credit expenses and securities gains), as a proportion of average assets, range from zero to 0.8 per cent for Japanese banks, against 2.5 per cent for US banks. As Moody's says: "If Japanese banks had the same level of core earnings as US banks, the asset quality problem would be qulte manageahle, there would be no crisis, and Japanese banks as a whole would be much more creditworthy."

What is more alarming is that the slim margins are getting thinner. Interest rates are now at or near the bottom of the business cycle, depriving banks of the henefit of a time lag between cuts in lending rates and cuts in deposit rates that has kept their margins from narrowing even further.

In any case, the fragile economy is cutting demand for bank lending and banks are being forced to pare loan rstes.

Financial deregulation is beginning to hit banks' profits, too. As limits on interest rates are gradually removed, banks are having to compete barder for funds in the retail market. And deregulation of tbe bond market is helping companies that are borrowing to dispense with banks altogether in their search for finance.

Yet banks seem unable to break out of the stranglehold of low profitability. Despite the squeeze on margins, lending remalns the core activity for banks, which have little knowbow in developing new fee-earning business. Seventy per cent of Japanese banks' profits derive from lending – far higher than in US or European banks.

For now, banks will attempt to offset thelr falling profitability with gains on sales of their large equity portfolios. *But this is not a long-term solution*. Shareholding by banks counts as a part of their capital base and selling equities diminishes tbeir capital rattos whlcb, under rules laid down by the Bank for International Settlements, have to be kept above agreed levels. Japanese banks are already close to the minimum.

More importantly, such emergency measures will not confront the heart of the problem. With 21 main banks and more than 5,000 regional and other banks, Japan has chronic financial overcapacity. As deregulation gathers pace, the competition for depositors and loans will heat up, and banks and regulators will face a choice between two unpalatable solutions.

Some banks could be allowed to fail, but this is unlikely given the authorities' adherence to the stability of the banking system, and the fragile state of confidence in it. Or there will have to be mergers, a development said to be favoured hy the regulators but fraught with difficulties, as the relatively profitable banks will find the charms of the weaker banks distinctly resistible.

But as long as regulators oppose failures and banks say no to mergers, the much-needed rationalisation of the financial system will be sbelved indefinitely. The status quo can only mean further decline for all Japan's banks. As a senior executive at one of the larger Institutions put it: "The problem with Japanese banks is that not many of tbem realise that tbey weren't really competitive from the start. Now they have to face it: banking here *is* a dwindling business."

Which institutions and practices could quietly be disposed of? **Andrew Jack** suggests one

Bin those reports

They take years to complete, cost millions of pounds to research and rarely lead to any significant action. Critics are increasingly questioning whether the UK Department of Trade and Industry inspectors' examinations of corporate failures are worth the trouble.

The latest example came last week when the DTI released its report into the collapse of Atlantic Computers, the leasing company taken over by the conglomerate British & Commonwealth in 1988. Further DTI reports – including on Guinness's 1986 takeover of Distillers – are in the pipeline. Though they may make interesting reading, the minimal response to their suggestions is unlikely to justify the efforts involved in their production.

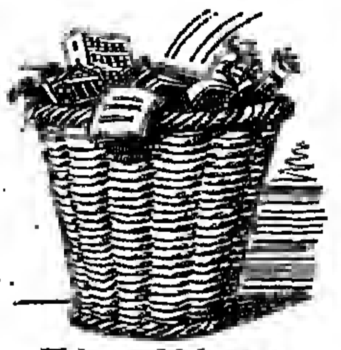
Mr Hugh Willmott, of the University of Manchester Institute of Science and Technology, who has studied DTI reports over the past 20 years, says they have done little more than highlight the limitations of company regulation in the UK. "They offer apparent reassuranca hut delay closer scrutiny," he says.

What little comfort the reports offer the public comes at a high price. The 380-page Atlantic report cost £6.5m to produce in fees and expenses paid to a barrister, an accountant and their assistants, making it the most expensive ever commissioned.

Such expense might be worth*while if the findings were definitive*. But they are not. The accountancy profession's own regulatory committees stress that they need to carry out independent investigations for the sake of "natural justice" before taking any disciplinary action against accountants criticised in DTI reports.

Nor are the reports of much use in commercial litigation. British & Commonwealth's administrators have launched legal action against auditors and advisers to Atlantic. But their action is based on a separate examination of the facts. In fact, the administrators began their legal moves before the report was published.

The DTI itself may act on the recommendations of its inspectors and seek the disqualification of directors censored to its reports –


Things which never would be missed

as seems likely in the case of Atlantic and British & Commonwealth. But the level of detail to the reports is greater than usually required by the DTI when it seeks in the courts the disqualification of directors.

The only other sanction the reports offer is the public embarrassment of those mentioned. This is not always effective. For example, the late Mr Robert Maxwell was subject to scathing criticism in reports on his companies in the early 1970s, but it did stop him from rebuilding his business empire.

Another problem with most inspectors' reports is that they take too long to produce. By the time the conclusions are reached, recommendations for reform may be overdue or irrelevant. For instance, the two Atlantic inspectors took more than four years to publish – a not untypical gap. So long after the events in question, individuals and companies concerned may not be active or even alive.

There is also inconsistency in the launching of investigations. Under company and insolvency laws, the DTI can appoint inspectors to examine the circumstances surrounding a collapse or instance of fraud and then compile a report – some of which are made public. Such decisions appear arbitrary. No inspectors have been appointed to examine three recent high-profile collapses: Polly Peck International, the conglomerate built up by fugitive businessman Mr Asil Nadir; the Bank of Credit and Commerce International; or the Maxwell companies.

A large number of other inspectors' reports have been commissioned but never made public. The DTI says it typically receives 1,000 requests for investigations each year and pursues a quarter of these. Most remain confidential – officially on grounds of public interest but adding to the impression that reports are commissioned and released according to ministers' whims. A handful is published each year.

Moreover, the impartiality of the reports can be questioned. Accountants and lawyers are those who normally carry out the inquiries, yet they represent two professions often criticised in the reports, and are even sometimes drawn from firms that have themselves been criticised previously.

All this suggests that inspectors' reports are an expensive indulgence. Though they are useful for academics and researchers, their price makes them inaccessible to many students: the Atlantic report costs £35. It may be time that the DTI reconsidered what purpose its reports serve and how it could meet these needs more effectively.

OBSERVER

Moan to Woan

■ An exciting February stock market debut for Clinical Computing's shares will have been scant comfort to its investors this week. On Tuesday, the medical software company had a minor emergency of its *own* – a £227,000 loss for the first half of the year.

At least one shareholder was, *however, considerably placated* yesterday when he received a letter from Jeremy Woan, the chief executive. Acknowledging that private investors might "feel isolated" at results reporting time when senior management is rolled out to talk to the institutional investors, the letter proposes *a* rather simple home-spun alternative. Woan and his colleagues are making themselves available by phone at certain hours today and Monday.

Let's hope the company will soon be of a size where it becomes impractical for the boss to bend his ear to shareholder concerns in such a direct fashion.

Trading up

■ Are Michael Heseltine's spin-doctors being a bit economical with the truth? Let's for a moment accept that his recent visit to South Africa "ended in triumph", as a DTI hand-out would have us believe. Let us also concede that it is possible that Britain's trade minister returned "a richer human being for the privilege of sharing this dawn of a new historic era", as the same document enthuses. But he really cannot get away with yesterday's press release which talks of a trade support and assistance package for South Africa worth £1.25 bn, "the largest offered by any country since the South African elections". All fine and dandy except that an ECGD facility just happened to *have been available before he set* off; so deduct at least £1bn. As the old maxim goes, there are lies, damn lies and aid statistics.

Not cricket

■ French culture minister Jacques *Toubon's wild attempts to strangle franglais* must be alarming all serious etymologists, if a glossary of *franglais* business applications provided by L'Expansion magazine is anything to go by. Far from being a linguistic abomination, it appears instead to be an entirely new language in the making – and certainly one in need of translation, most of all to the Brits.

Elliptically, if your opposite number in France lets on that he is expecting a visit from "des gens d'Arthur" [people from Arthur], it means that accountants Arthur Andersen are on their way.

Yet more *cryptically*, if your Parisian subsidiary suggests going into "le food", far from betraying culinary ambitions, it is telling you it intends to adopt mass-marketing techniques.

Last but not least is the "earing", as in the sort of thing the US congress is currently holding over Whitewater.

And no, the cover date of the magazine is not April 1.

'You can't beat good old family values'

Lifer

■ Soma people are never satisfied. Apparently not fully stretched in his role scrutinising the glamorous world of *building societies, Robert* Villiers, analyst at UBS, has released a dance CD single and video. Mr V, as he bills himself, can obviously put this sort of thing together with the facility of a teenage scribbler accustomed to deadlines. "I knocked it off in an afternoon" he tells Observer unassumingly.

Still, outings for his oeuvre on Radio 1 and Kiss FM have not gone to his head, and he will admit to no immediate plans for chucking in the day job. The title of the single, "Give me life", is impressively ambiguous however.

Does it betray a secret wish to escape from his current position or should it be read as a plea for an extended sentence?

Hard cheese

■ No such thing as ageism at the *top of Swiss companies. Fritz* Gerber, chairman of both pharma group Roche and Zurich Insurance, and who is 65, has just reiterated to Weltwoche magazine that he has no intention of retiring. "I will go on working as long as I feel I am able to fulfil my task" he announced cheerfully.

The heads of Switzerland's other big pharmaceutical groups are almost equally good, if not better, advertisements for their drugs. Alex Krauer, boss of Ciba, is a mere 63, but Marc Moret continues to dominate Sandoz at 70.

And financiers and industrialists *are clearly pretty good customers* of the above. Nestlé boss Helmut Maucher is nudging 67, Credit Suisse chairman Rainer Gut is nearly 62 and Peter Spälti, head of Winterthur Insurance, is a sprightly 63.

"I hope I will be able to recognise when it is time to step down," Gerber said gracefully in his interview. Providing he does, who would complain?

Fête accompli

■ That end of term feeling is *obviously getting to the* boys *in* Brussels. More tables had to be procured yesterday morning outside the press room to accommodate all those extra releases spewing forth from an unusually decisive European Commission meeting for the last time before the summer break.

Hiding among the pile were a few paragraphs to the effect that the EC had struck a deal with Arbed, the Luxembourg steel-maker that is buying into Germany's Klöckner Stahl whereby Arbed would close a steel mill as part of a debt write-off already agreed with Klöckner. Only problem was, the decision had not been taken. The statement should be considered void, officials were falling over themselves to point out.

Speaks for itself

■ Bill-board spotted in the wilds of Wyoming, enjoining disgruntled American taxpayers to call, toll free, 1-800 HADENUF.

FINANCIAL TIMES
Thursday July 28 1994

Israel calls for terrorist alert after London bombs

Around-the-clock guard put on prominent UK Jewish sites

By Jimmy Burns and Stewart Dalby in London and David Horovitz in Jerusalem

Israel yesterday urged governments around the world to step up security after two bomb attacks in London heightened its concerns about a global terrorist campaign against Jewisb targets.

Britain introduced an around-the-clock armed police guard on more than 100 prominent Jewish sites and rigidly enforced parking restrictions. Extra security precautions were also being taken in several cities including Paris and New York.

The UK measures were aimed at preventing a repetition of an attack on Tuesday against the Israeli embassy and anotber early yesterday at the headquarters of a Jewish charity.

The London bombs, which caused injuries and property damage but no deaths, followed the signing in Washington of a co-operation agreement between Israel and Jordan. Israeli officials say extremist groups are attempting to disrupt the Middle East peace process.

Mr Yehuda Milo, deputy director-general of the Israeli Foreign Ministry, accused the UK of having ignored reqnests for additional security measures after the July 18 bomb attack on tbe central Jewish community building in Buenos Aires which killed at least 96 people.

Mr Azriel Nevo, the Israeli military attache in London, described the second London bomb as a "true blunder by local security forces". The bombed building, headquarters of the Joint Israel Appeal, was temporarily without police protection.

In Beirut yesterday, Lebanon's pro-Iranian Hizbollah denied any involvement in the Buenos Aires and London attacks. Similar denials were issued by Hamas, the Islamic resistance movement, in Damascus.

The Foreign Office last night said investigations into the attacks were "at an early stage". "We do not have clear evidence as to who is responsible", an official said.

Sir Paul Condon, commissioner of tbe Metropolitan Police, warned of an unprecedented threat from radical Islamic terrorism. He said: "The new dimension for us is the power and ferocity of the devices being put down and the total disregard of the terrorists involved for their own or anybody else's lives."

Mr Fernando Petrella, Argentina deputy foreign minister, said yesterday that his country was "seriously reconsidering our diplomatic relations" with Iran in the aftermath of the bomb attack in Buenos Aires.

Intelligence officials in Buenos Aires said an Argentine investigative magistrate has taken evidence in Caracas from a dissident Iranian diplomat which suggests that Tehran and possibly Syria offered logistical support to the terrorist attack.

Additional reporting by Therese Stiastny

Picture, Page 6

Beijing angry over 'excessive' US role in Gatt talks

By Tony Walker in Beijing

China yesterday threatened to back away from commitments to liberalise its trading regime in an angry response to what it perceives as US attempts to impose tough conditions on its re-entry to the General Agreement on Tariffs and Trade.

Chinese officials have made no secret of their displeasure at the US role in complex negotiations over the resumption of China's Gatt status.

Mr Miao Fucbun, spokesman for the ministry of foreign trade and economic co-operation, said Beijing's patience was wearing thin and it was unclear wbether compromise was possible under present circumstances.

"The negotiations have reached a critical moment. Our application is supported by a majority of the contracting parties, including Japan and the European Union. But the US has made excessive demands we cannot accept."

"It is not treating us as a developing country, which we obviously are. We will oot rejoin Gatt just for the sake of it. If China is unable to resume its Gatt status, it will not he bound by Gatt and all the commitments made over the past eigbt years will be nullified," he said.

Mr Miao repeated similar threats issued by other senior trade officials including Mrs Wu Yi, tbe foreign trade minister, but his remarks were sharper and underline growing Chinese frustration over what Beijing sees as the slow progress of negotiations.

Talks on China's application to rejoin Gatt, which it left in 1949, are due to resume in Geneva this week. But though Beijing is keen to conclude them in time to become a founding memher of the World Trade Organisation early next year, observers say that will require rapid progress.

Gatt members hope to agree soon on the hasis for a draft protocol for China's accessiou but the US and the EU insist that much will depend on Beijing presenting a package of acceptable concessions in September.

The EU is prepared to grant Beijing's request for a transition period to adjust to Gatt obligations after it joins but the US argues China sbould enter on terms similar to those required for a developed country.

Chinese officials insist China be accorded special consideration as a developing country with a transitional period to hecome Gatt consistent on such issues as removal of non-tariff barriers and access for agricultural products.

In addition, US and European officials insist China make firmer commitments to phase out non-tariff barriers and to deal with the vexed issue of intellectual property infringements and lack of access to its services sector for banks and insurance companies.

THE LEX COLUMN

Flash news from Reuters

Reuters has not done badly in the 10 years since flotation. Its earnings per share have increased 8.32 times over that period, its share price more than nine times. No-one pretends Reuters can match that record in the next decade. Nevertheless, the company is one of the few FT-SE 100 stocks that promises organic revenue growth of more than 10 per cent a year for the foreseeable future. Reuters may achieve even more if it can successfully leverage its financial markets expertise into new fields, such as medical information. Add a splash of multimedia appeal as Reuters diversifies into television and radio and it adds up to a compelling investment story.

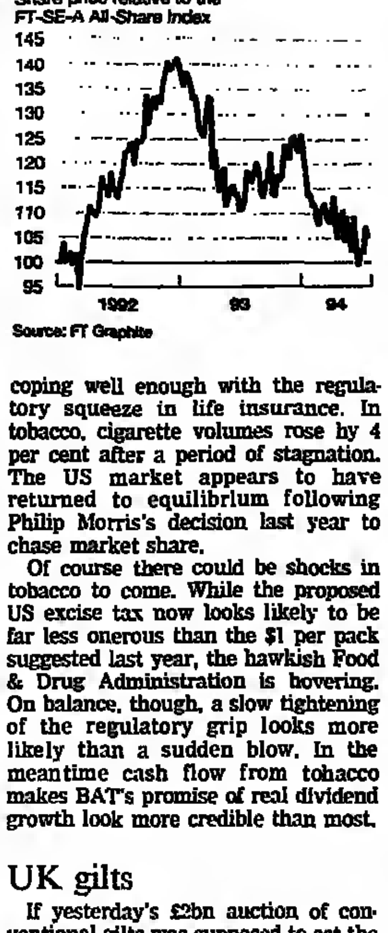
Still, the market was not in such stargazing mood yesterday. Instead it knocked 5 per cent off Reuters' shares, chiefly on worries about the slight shrinkage of operating margins. That, though, owes more to recent acquisitions, sucb as Quotron, which have inflated the revenue line but have – as yet – contributed no extra income. The continuing doubts about Globex also cast a shadow out of proportion to its financial significance. Moreover, the success of Instinet and Dealing 2000-2 should more than compensate.

The real issue therefore is not whether to buy Reuters but what premium to pay for it. The market may have pushed the rating far enough for the time being especially as Reuters' new orders have softened this summer. But as the charms of cyclical recovery stocks fade when the UK interest rate cycle turns, Reuters should come back into its own.

FT-SE Index: 3082.3 (-34.9)

BAT Industries

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

BAT Industries

Another generous dividend increase from BAT Industries makes the current valuation of the shares difficult to fathom. Even after the recovery of the last few weeks, BAT stands close to its highest yield relative to the stock market since the early 1980s. The shares also command a substantial yield premium to the composite insurance sector, as they have done since early in 1993. That only makes sense if BAT's insurance operations are expected to fare much worse than the competition, or if the tobacco side of the business will be a brake on dividend growth.

Yesterday's half-year figures suggest that neither is the case. Eagle Star is still suffering from the legacy of mortgage indemnity, but is performing in lina with its peers in other respects. Allied Dunbar seems to be coping well enough with the regulatory squeeze in life insurance. In tobacco, cigarette volumes rose hy 4 per cent after a period of stagnation. The US market appears to have returned to equilibrlum following Philip Morris's decision last year to chase market share.

Of course there could be shocks in tobacco to come. While the proposed US excise tax now looks likely to be far less onerous than the $1 per pack suggested last year, the hawkish Food & Drug Administration is bovering. On balance, though, a slow tightening of the regulatory grip looks more likely than a sudden blow. In the meantime cash flow from tohacco makes BAT's promise of real dividend growth look more credible than most.

UK gilts

If yesterday's £2bn auction of conventional gilts was supposed to set the seal on the market's recovery, it has been a signal failure. Those of a technical bent may draw comfort from the thought that a low cover ratio does not necessarily matter when all the bids are clustered together. It may simply mean that the market found the auction easy to price. But the fact remains that total bids of only £2.58bn were received for a relatively rare sale of longer-dated paper. Though liquid, domestic institutions are clearly still cautious about committing cash to the market. Many apparently used the auction to switch out of existing holdings rather than increase their investment.

Part of the concern lies in the international environment. There is not much retail demand in other European bond markets as the lacklustre response to yesterday's German auction shows. Strong durable goods orders left the markets feeling nervous about tomorrow's US growth figures. International markets remain vulnerable to threats of higher US interest rates.

This week's CBI survey is a further reminder that the interest rate turn looms in the UK, too. It is impossible to tell whether there is anything behind yesterday afternoon's rumours that the chancellor and the governor of the Bank of England will use their meeting today to agree a pre-emptive rise in base rates. There is no pressing need as yet, but the violent reaction of equities as well as gilts suggests worries about interest rates are becoming a regular feature, whether the authorities act or not.

Italy

As the political tensions in Italy mount, the contrarian investor might be tempted to buy. The battered lira appears suhstantially undervalued against the D-Mark, sharpening Italy's international competitiveness. Corporate earnings are likely to rebound even more strongly as a result. Italian bond yields reflect far more than any realistic expectations about inflation, which stands at a 25-year low.

The real fear for investors, though, concerns Italy's budget deficit. On some calculations, the government needs to run a primary surplus of 3 per cent of GDP a year to cope with the strain. Belgium has shown that is possible. But it will take real political muscle to tackle health and pension spending in Italy. That seems uncertain when the political situation remains so volatile. The contrarian investor will have to be bolder than ever.

Yorkshire Water

The directors of Yorkshire Water are perfectly entitled to voice their objections should patently unsuitable candidates put themselves forward for election to the board. But their heavy-handed efforts to prevent the election of Mrs Diana Scott look misplaced. Whila Mrs Scott is short on industrial experience, she has worked within the regulatory regime and is familiar with its consumerist concerns. That alone makes her, at least, worthy of unbiased consideration by shareholders. Even monopolies cannot afford to ignore their customers.

AZT boost

Continned from Page 1

HIV-positive women refuse to take AZT, tbereby possibly endangering their unborn children.

Dr Catherine Peckham, professor of paediatric epidemiology at the Institute of Child Health in London, said: "This will add pressure for mandatory screening in the US. These trials are hugely exciting and an important breakthrough, but it would be wrong to rush through unconsidered policy changes. Further trials are required to look at the long-term effects of the drug."

In the US, about 100,000 women of child-bearing age are HIV-positive and 7,000 HIV-positive infants are born every year. In inner London, one in 390 pregnant mothers is HIV-positive. About 15 per cent of those with the virus will infect their children.

Airline aid

Continned from Page 1

5,000 jobs from the airline's workforce of 40,000 and freeze salaries and promotions.

Air France was also ordered to repay an earlier government loan of FFr1.5bn, considered incompatible with EU rules. The government said it would appeal.

Under the conditions, the aid must not be used to acquire new stakes in other airlines, nor to increase the size of the Air France fleet above 146 during restructuring. Nor can the company increase the seats it has on offer within the European Economic Area beyond the level reached last year.

Thailand orders delay on $1.5bn urban rail project

By Victor Mallet in Bangkok

The Thai government yesterday postponed the construction of a $1.5bn elevated railway in Bangkok, reviving doubts about plans to huild mass transit networks to alleviate the capital's traffic congestion.

The delay to what would become the capital's first transit system is also likely to increase the reluctance of foreign investors to take part in politically controversial infrastructure projects in Thailand.

It follows difficulties with other projects in Bangkok, including the Skytrain elevated rail link and the Kumagai Gumi elevated motorway, which was in effect nationalised earlier this year.

Bangkok Transit System Corp (BTSC), a subsidiary of the Tanayong property group, had been due to begin preliminary work on the 24km of elevated railway lines yesterday but the cabinet ordered a halt pending a resolution of plannning disputes.

Earlier this month, BTSC awarded a turnkey construction contract for the $1.5bn project, including financing, to a joint venture between Siemens of Germany and Italian-Thai Development, the leading Thai construction company.

The government of Mr Chuan Leekpai had already delayed the BTSC railway project by demanding that it go underground before changing its mind and accepting the elevated system.

Yesterday, the government said it had ordered the Juridical Council, an arhitration body, to consider whether a 4km extension to the original 1991 concession could legally go ahead in light of environment and privatisation laws.

The cabinet also complained that plans to manage road traffic during construction had not been sent to the authorities in tima.

But some political commentators believe the government is nervous ahout no-confidence motions in parliament this week. Opposition MPs say they have evidence of illegal actions committed by the government in connection with the project.

Thailand is seeking to farm out some big infrastructure projects to the private sector in "build-operate-transfer" concessions such as the one granted to BTSC, but a series of hitcbes have affected investor confidence.

Kumagai Gumi, the Japanese construction company, spent five years planning and building a $1bn elevated toll-motorway in Bangkok, but has since accused the Thais of breaching the revenue-sharing contract and nationalising the road. Kumagai's 65 per cent share in the project was bought by Thai investors.

Thailand also cancelled the $2.6bn Skytrain project, which was to have been built by SNC-Lavalin of Canada, in 1992 after 17 years of negotiations.

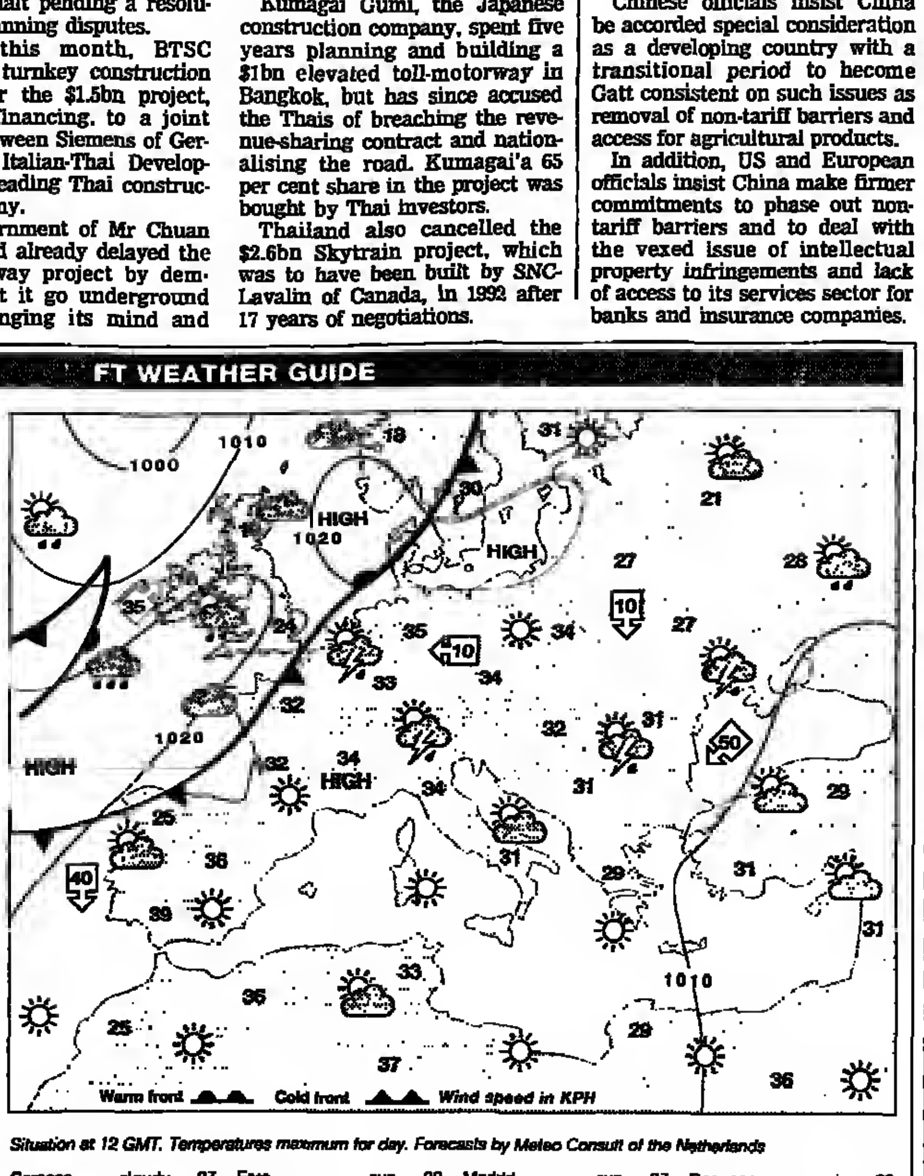
FT WEATHER GUIDE

Europe today

High pressure over the Baltic and the North Sea will block the movement of a front generating cloud and rain and thunder showers from western France through Belgium and the Netherlands. West of this front, the south-east of England will be cloudy with showers but other parts of England will have some sun and seasonal temperatures. The continenl will stay sunny and hot. Scattered thunder showers will form in the Alps, Croatie and the Balkans. Temperatures will be near 35C in Hungary, the Czech Republic, eastern Germany, southern France and Spain. Norway will be cooler but afternoon temperatures close to 30C will continue in southern Sweden and Finland.

Five-day forecast

Rain and thunder showers will become more widespread in France by Saturday. Ireland will have rain throughout tha weekend. An oceanic low pressure area will stall offshore and nearly all western Europe will continue hot and sunny. Searing heat will persist over central Europe, the Alps, sections of Italy and southern France, with only scattered showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	shower	28
Algiers	fair	33
Amsterdam	fair	27
Athens	sun	31
Atlanta	thund	29
B. Aires	cloudy	18
B.ham	fair	24
Bangkok	cloudy	34
Barcelona	sun	29
Beijing	shower	30
Belfast	rain	19
Belgrade	fair	30
Berlin	sun	35
Bermuda	shower	32
Bogota	fair	19
Bombay	rain	30
Brussels	thund	29
Budapest	sun	34
C.hagen	fair	27
Cairo	sun	35
Cape Town	fair	18
Caracas	cloudy	27
Cardiff	fair	21
Casablanca	fair	25
Chicago	sun	24
Cologne	sun	32
Dakar	sun	30
Dallas	sun	32
Delhi	thund	34
Dubai	sun	39
Dublin	fair	20
Dubrovnik	sun	30
Edinburgh	fair	21
Faro	sun	30
Frankfurt	fair	34
Geneva	thund	31
Gibraltar	sun	27
Glasgow	cloudy	19
Hamburg	sun	31
Helsinki	sun	30
Hong Kong	thund	30
Honolulu	thund	32
Istanbul	windy	28
Jakarta	fair	31
Jersey	cloudy	21
Karachi	cloudy	32
Kuwait	sun	45
L. Angeles	fair	22
Las Palmas	sun	27
Lima	cloudy	18
Lisbon	sun	29
London	cloudy	26
Lux.bourg	thund	31
Lyon	hazy	33
Madeira	sun	25
Madrid	sun	37
Majorca	sun	32
Malta	sun	31
Manchester	fair	22
Manila	thund	30
Melbourne	shower	15
Mexico City	cloudy	24
Miami	thund	32
Milan	hazy	33
Montreal	shower	23
Moscow	fair	21
Munich	sun	31
Nairobi	fair	24
Naples	sun	31
Nassau	fair	32
New York	shower	26
Nice	sun	29
Nicosia	sun	35
Oslo	fair	28
Paris	fair	33
Perth	cloudy	20
Prague	sun	34
Rangoon	rain	30
Reykjavik	cloudy	12
Rio	fair	28
Rome	sun	31
S. Frsco	fair	26
Seoul	fair	37
Singapore	cloudy	32
Stockholm	sun	31
Strasbourg	fair	33
Sydney	fair	18
Tangier	sun	32
Tel Aviv	sun	32
Tokyo	cloudy	32
Toronto	shower	23
Vancouver	shower	22
Venice	sun	31
Vienna	sun	32
Warsaw	sun	33
Washington	thund	29
Wellington	shower	12
Winnipeg	sun	28
Zurich	sun	30

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday July 28 1994

IN BRIEF

Du Pont benefits from high volume

Du Pont, the US chemicals group, achieved a 53 per cent jump in earnings driven by volume growth in the second quarter. The advance, comfortably ahead of market forecasts, came despite lower prices than a year ago. The company expected earnings to continue to outperform 1993 for the rest of the year, said Mr Edgar Woolard, chairman. Page 16

Non-defence side lifts US high tech groups
Two US high-technology groups lifted their second-quarter earnings yesterday. GM Hughes Electronics and Allied Signal were helped by growing automotive and commercial aerospace revenues which offset a decline in sales of defence-related products. Profits advanced by 15 per cent at GMHE, a subsidiary of General Motors, and by 17 per cent at Allied Signal. Page 15

Beer sales boost Anheuser-Busch
Anheuser-Busch, the largest US brewer, has achieved record sales and earnings in the second quarter after a 3.3 per cent gain in beer sales. At the end of June, the group's Budweiser family of beers commanded 43.7 per cent of the brewing industry's total US sales. Page 16

Bethlehem Steel shares fall 8%
Shares in Bethlehem Steel fell about 8 per cent yesterday as the company's second-quarter results failed to match expectations. The company was one of the best-performing big company stocks in the US earlier this year. Page 16

Norwegian groups advance
Net profits at Statoil, the Norwegian state oil company, rose 42 per cent to NKr2.7bn ($380m) in the first half. Meanwhila, a sharp drop in loan losses underpinned the continuing recovery of Christiania Bank, Norway's second biggest bank. It more than doubled its net profits to NKr780m in spite of bond market turbulence. Page 14

BT buoyed by mobile and cellular services
British Telecommunications lifted its pre-tax profit by 3.2 per cent to £781m ($1.19bn) in the quarter to June 30, relying on a sharp increase in income from mobila services and from Cellnet, its cellular joint venture with Securicor. Page 18

Lloyds Abbey Life overcomes sales falls
Lloyds Abbey Life overcame sharp falls in sales by its two core life insurance subsidiaries to report a 13 per cent rise in pre-tax profits for the first half of 1993 to £171.8m ($262m). Page 18

Lex Service plays down 64% decline
Lex Service, Britain's largest car distribution and leasing group, yesterday played down a 64 per cent decline in half-year pre-tax profits. It claimed the results were distorted by exceptional items. Page 19

Enterprise investors review chief's role
Enterprise Oil's two largest institutional shareholders want Mr Graham Hearne, chairman and chief executive, to surrender his role as chairman following the UK company's failed £1.6bn ($2.4bn) bid for Lamso. Norwich Union and the Prudential Corporation jointly own 10 per cent of Enterprise. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko Prf	950	+	20	Essilor	774	+	22
Miguchit	208.5	+	5.5	Immobanque	795	+	35
Falls				Usinor	527	+	17
AEG	179.5	-	4.9	**Falls**			
Degussa	482	-	12.5	AGF	452.3	-	10.2
PWA	230.3	-	4.7	AXA	270.2	-	7.3
Thyssen	297.2	-	5.3	Cred Nat	508	-	21

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
3M	71¼	+	1⅛	Central Fin	540	+	15
Biogen	43	+	13½	Gun-Ei Chem	570	+	20
Signet Bk	39⅝	+	2⅝	Yomiuri	1080	+	50
Falls				**Falls**			
Alcoa	78⅛	-	1⅞	Aoki Corp	487	-	13
Bthlm Steel	20⅝	-	1⅛	M'bishi Stl	561	-	29
Chiron	52¾	-	5	NOK Corp	775	-	38

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Southern Water	565	+	20
Castle Comm	355	+	15	Stirling Group	63	+	3
Coal Invs	88	+	8	Verson Intl	20	+	2½
Dalepak Foods	99	+	5	**Falls**			
Hartstone	19	+	2	Allied Textile	512	-	21
Hepkinsons	54	+	3	Danka Business	330	-	13
Low (Wm)	280	+	12	Lex Service	447	-	30
MITIE	338	+	10	Millgate	32	-	3
Menvier-Swain	237	+	13	Ocean Group	273	-	10
Northumb'n Wtr	597	+	21	Reuters	459	-	21
Phoenicks	267	+	8				
600 Group	64	+	5				

Allianz recovers with 25% surge

By Christopher Parkes in Frankfurt

Allianz, Europe's biggest insurance group, staged a stronger-than-expected recovery last year with a 25 per cent surge in pre-tax profits to DM2bn ($1.2bn).

Underwriting losses shrank to DM1.2bn from DM1.7bn, while a one-off tax credit related to corporate taxation changes helped hoist net earnings to DM1.46bn from DM860m, the group reported yesterday.

According to Mr Henning Schulte-Noelle, chairman, Allianz hoped to bring the underwriting deficit below DM1bn this year, while premium income growth would ba less than 10 per cent. Premium income last year rose 20 per cent to DM66bn, including Deutschen Krankenversicherung for the first time.

The chairman also appeared concerned at the continuing weakness of the dollar. Every fall of one pfenning in the value of the US currency from its fixing of DM1.7263 on December 31 would reduce group sales by around DM100m, he told a press conference.

While the group remained open to further acquisitions, Mr Schulte-Noelle said it would consider only "strategically sensible" purchases. Negotiations with France's Crédit Lyonnais were related only to possible co-operation, he added. There were no plans to take it over or acquire a stake.

Allianz wanted to strengthen its distribution to France, Italy, the UK and Austria through collaboration with banks.

The group had already informed the Austrian government that it wanted to link up with the state-owned Creditanstalt Bankverein, although negotiations were still at an early stage, Mr Schulte-Noelle said.

In this instance it might be interested in a minority stake, possibly with other partners, if the government were prepared to surrender some of its holding.

Allianz last month extended its reach in Switzerland when it took a 30 per cent stake in Berner Holding, the insurer.

International business last year accounted for 47.5 per cent of sales compared with 46.8 per cent in 1992, with the north and south American markets contributing almost half of all non-German business.

Foreign premium income increased from DM26bn to DM31bn, while domestic sales rose from DM29bn to DM34bn. American premium income jumped 44 per cent to DM15bn thanks largely to a 74 per cent rise in US life business.

Sales at Firemen's Fund, the biggest US subsidiary, rose 7 per cent to DM5.7bn, while net earnings rose to DM336m from DM214m last time.

The group also reported premium income increases of 12 per cent in Italy, 5.5 per cent in France and 10.4 per cent in Britain.

BAT's US arm defies tobacco lobby

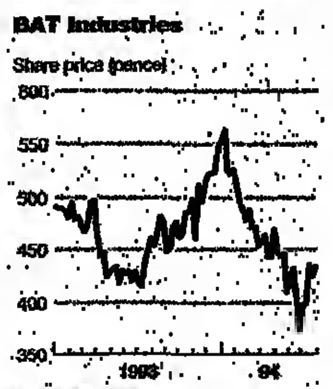
By Neil Buckley in London

BAT Industries, the UK-based tobacco and financial services gronp, defied what it called "unprecedented propaganda" against the tobacco industry in the US to announce a 5 per cent increase in half-year profits to £948m ($1.45bn) before tax.

The figures – towards the top end of expectations – were boosted by a strong performance from BAT's US tobacco company Brown & Williamson. It recovered market share lost in last year's price war sparked by rival Philip Morris and lifted trading profits 76 per cent to £217m.

Sir Patrick Sheehy, chairman, said the US figures "largely speak for themselves" and showed BAT was weathering the political backlash against cigarette-smoking.

"We have been subjected to a period of unprecedented propaganda in the US," he said. "The board, however, remains confident of the tobacco industry's ability to continne to defand itself successfully, not only in court but wherever a more balanced view is taken."



Source: FT Graphite.

He said BAT was pressing ahead with its proposed $1bn acquisition of American Tobacco, the fifth largest US cigarette company, although completion was unlikely before the end of the year.

The strong performance from Brown & Williamson resulted from a more stable US market, increased domestic sales and exports, and improved margins on its GPC brand.

Operating profits last year of £80m in BAT's Brazilian business were wiped out this time by difficult economic conditions. But a strong performance from the international British-American Tobacco business helped the tobacco division lift operating profits to £576m – an increase of 8 per cent, stripping out an exceptional gain of £135m last year on a brands swap with US company American Brands.

On the financial services side, operating profits increased 10 per cent to £439m, with a £193m contribution from life and investment business, and £246m from general business.

Total profit from continuing operations at Eagle Star in the UK rose from £45m to £69m, with the UK personal lines business performing well.

In the US, Farmers recorded flat profits of £252m, reflecting a lower contribution from the life business. BAT said claims from last year's Los Angeles earthquake were now expected to be $1.1bn gross.

Group turnover from continuing operations for the six months to June 30 increased from £11.9bn to £12.0bn, but BAT's shares fell 9p to 434p in spite of the profits increase, as investors took profits after a strong recent performance.

The interim dividend increased 8 per cent to 8.5p, although earnings per share increased only 1 per cent from 19.3p to 19.4p.
Lex, Page 12; Details, Page 19

■ $310m turnround in second quarter ■ Jaguar remains in red

Ford's European unit bounces back to $244m

By Kevin Done, Motor Industry Correspondent

Ford's European automotive operations (excluding Jaguar) achieved a $310m turnround in the second quarter with a net profit of $244m compared with a net loss of $66m in the same period a year ago.

The financial improvement in Europe, following three successive years of losses, reflects the gradual recovery in the west European new car market as well as a far-reaching restructuring.

Jaguar, Ford's UK luxury car subsidiary, remained in the red in the second quarter with an unchanged operating loss of $62m, but Ford said that Jaguar was expected to return to profit in 1995, ending six successive years of losses.

Ford's European automotive operations have suffered a total loss in tha 1991-93 period of $3.3bn, including Jaguar, and $1.5bn excluding Jaguar.

The return to profit in Europe follows two years of retrenchment in which the Ford of Europe workforce (excluding Jaguar) has been cut by 15.4 per cent from 98,100 in November 1992 to 83,000 by the end of last year.

Ford said yesterday that the recovery reflected higher sales volumes, with demand picking up in most European markets from the depth of last year's recession, as well as cost-cutting primarily in manufacturing and purchasing.

BMW, the German car group, saw first-half net profits advance 14 per cent to DM290m ($181m), while orders outstripped production capacity. At Volkswagen, worldwide deliveries of cars and vans rose by nearly 8 per cent in the first half. However, in western Europe, demand for the group's brands, increased only 2 per cent. Details, Page 14

In the first half of the year Ford of Europe (excluding Jaguar) achieved a net profit of $353m compared with a loss of $47m.

Ford's European automotive operations, including Jaguar, operating losses and acquisition costs, improved to a net profit of $160m in the first six months from a loss of $257m last time.

In the second quarter, Ford of Europe has increased its market share and raised production in order to build up dealer stocks in expectation of strong demand in the third quarter.

Jaguar's operating loss in the first six months was reduced to $102m ($118m).

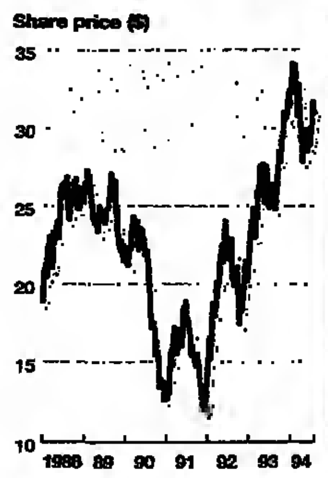
Ford said that there had been an underlying improvement in Jaguar's operating results following substantial progress in lowering costs and raising product quality.

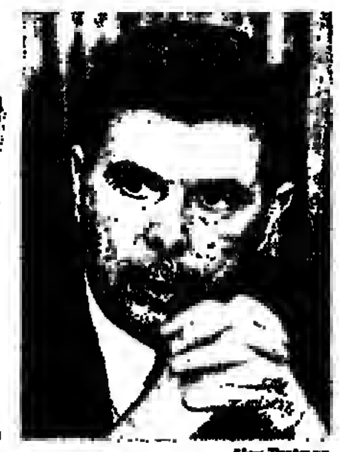
Jaguar increased its worldwide retail sales by 14 per cent in the first half of the year to 14,800, from 13,000, with increases of 25 per cent in the US and 16 per cent in the UK partially offset by a 37 per cent decline in Germany.

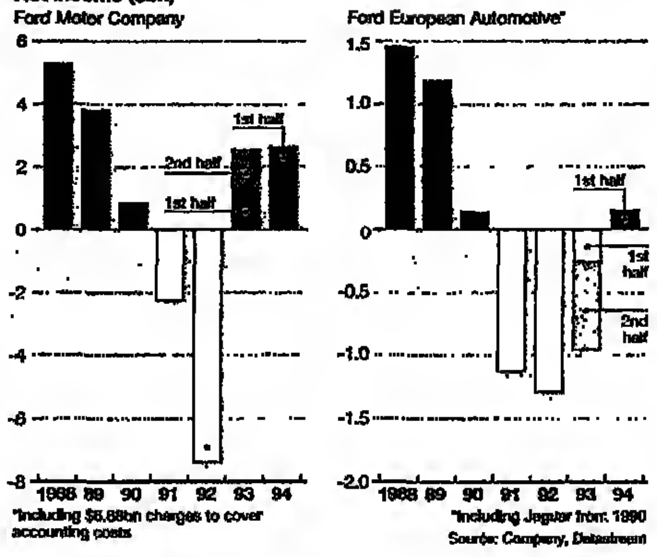
Ford has increased its share of the west European new car market in the first six months to 11.7 per cent from 11.5 per cent a year ago helped by strongly rising sales of the Mondeo. These have offset a loss of market share suffered by the Escort and Fiesta ranges.

Ford has gained market share in the UK, Germany and Spain but has lost ground in France and Italy.

Ford Motor Company's recovery




Alex Trotman
chairman and chief executive



Source: Company, Datastream

Euro Disney cuts its operating loss despite revenue fall

By John Ridding in Paris

Euro Disney, the troubled leisure group, announced a net loss of FFr546m ($102m) for the third quarter to the end of June, but said that operating losses had been reduced sharply from FFr381m to FFr194m.

The increase in losses at the net level was the result of a one-off charge of FFr352m relating to a financial restructuring at the company, which is implementing a rescue package after suffering losses of FFr5.3bn last year.

The reduction in operating losses was achieved despite a fall in revennes at the theme park and its hotels from FFr1.47bn in the third quarter of 1993 to FFr1.16bn this year. Euro Disney blamed a more aggressive pricing strategy and lower attendances after last year's uncertainty about the future of the theme park.

"Some people outside of the company were talking of the possibility that we might have to close," it said. "This was never justified, but had an unsettling effect on clients and potential customers."

The reduction in operating losses was attributed to efforts to improve operating margins, a cut in general and administrative expenses and, most importantly, to the initial effects of the company's financial restructuring package which was concluded earlier this year.

Property lease expenses, for example, were reduced by about 50 per cent because of interest waivers, while no royalties were paid in the third quarter to Walt Disney, the US entertainment group which holds 49 per cent of Euro Disney's shares.

Euro Disney said that its FFr5.95bn rights issne would be completed by mid-August. The proceeds will be used to reduce the company's debts, which stand at about FFr16bn, excluding convertible bonds.

The seven-for-two rights issne has been priced at FFr10 per new share. Yesterday, Euro Disney's shares remained stable at FFr10.

Walt Disney has pledged to take np its full entitlement to the rights issue, which is also being underwritten by Euro Disney's banking syndicate.

Prince al-Waleed bin Talal, the Saudi investor, is also set to take a stake of np to 24 per cent in the leisure gronp as part of its financial restructuring.
Walt Disney, Page 16

New York and London tune into Reuters results

By Andrew Bolger in London and Richard Waters in New York

Reuters Holdings, the financial information and news group, underlined its international credentials yesterday by crossing the Atlantic to report a 14 per cent increase in interim profits.

The UK-based group presented its results for the six months to June 30 in New York, where about a third of its equity is listed as American Dapositary Receipts. Analysts and journalists in London participated by satellite in the presentation. Mr Peter Job, chief executive, said this use of technology provided a "truly level playing field" – information was released in London and New York at the same time.

Pre-tax profits rose to £245m ($380m) on revanue which increased 22 per cent to £1.09bn. The revenue figure contained £55m from acquisitions, including Quotron, tha US-based equity trading service, and Teknekron, a Californian company which supplies digital trading systems to banks. Exclnding acquisitions, revenue rose 16 per cent.

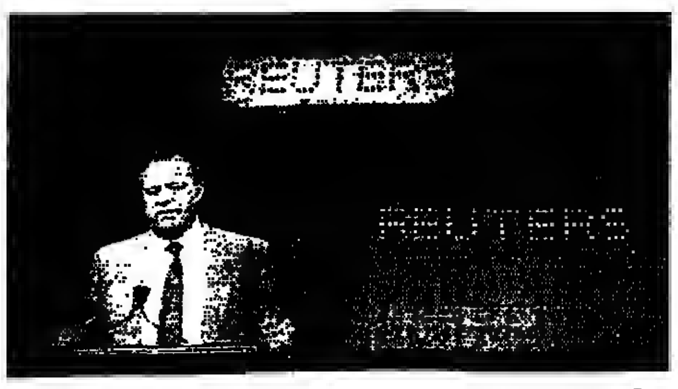
Reuters said it paid net cash of £102m for the acquisitions, hut confirmed it could receive np to $100m to cover Quotron's continuing losses up until 1996 from its vendor, the US bank Citicorp.

Instinet, the US-based equity brokerage service, and Thamesway, the institutional broker bought in November, more than doubled profits to £26m.

Europe and the Americas generated strong growth with Asia held back by a lacklustre Japan. Emerging markets continued to flourish.

Mr Joh played down Globex, the loss-making venture into electronic futures trading, which has been rejected by London and one of the Chicago exchanges. He accepted the group could have spent about $100m to date on the project, but said the financial impact would be mnch less – even if it was closed.

Net cash fell from £450m to £428m. Earnings per share grew 21 per cent to 10.4p (8.6p), boosted by last year's £351m buy-back of shares. The interim dividend rose 23 per cent to 1.9p (1.55p).
Lex, Page 12


Reuter
Screen test: Peter Job appears on satellite link from New York

Statoil profits advance to NKr2.7bn in first half

By Christopher Brown-Humes in Stockholm

Statoil, the Norwegian state oil company, saw net profits rise to NKr2.7bn ($380m) from NKr1.9bn in the first half, driven by higher net financial revenues and a modest rise in operating profits.

Oil prices were lower than a year ago, averaging NKr110 per barrel, compared with NKr126, and refinery margins were down sharply.

But the group's North Sea oil production reached a record 441,000 barrels a day – up from 412,000 – and gas volumes and prices were both higher.

Statoil said it needed to continue cutting costs to further improve results. "Although oil prices have risen recently, uncertainty persists about future price developments and the exchange rate for the US dollar," it stated. It expects to maintain high oil production levels during the second half.

Operating revenues climbed to NKr41.4bn from NKr40.2bn, with operating profits NKr300m higher at NKr7bn. Operating profits within exploration and production fell NKr1.1bn to NKr3.9bn, partially offset by a NKr670m increase to NKr2.3bn in natural gas.

Oil trading and shipping profits rose to NKr649m from NKr308m.

Net financial revenues rose to NKr1.5bn from NKr26m, due mainly to unrealised currency gains.

The group's cost-cutting programme is on schedule. It is looking to trim exploration and production division costs by NKr2bn hy the end of 1995 and save NKr375m a year through efficiency measures at its Mongstad refinery.

Christiania Bank recovery grows

By Christopher Brown-Humes

A sharp redndction in loan losses underpinned the continuing recovery of Christiania Bank, Norway's second biggest bank, in the first half, enabling it to notch up net profits of NKr780m ($110m) in spite of bond market turbulence.

The result is more than double last year's NKr324m profit and reflects a healthier Norwegian economy and the bank'a loan loss recovery drive.

For the first time in many years, amounts written back on previous loan losses exceeded new loan losses during the second quarter. This brought first-half loan loss provisions down to NKr61m compared with NKr913m in the same period in 1993.

The hank henefited from higher lending volumes and maintained net interest income. But it has not escaped the international interest rate upheaval, taking NKr220m in losses on its bond portfolio in the first half compared with NKr265m in profits a year ago. A drive to reduce interest rate exposure is bearing fruit.

Christiania was a casualty of Norway's banking sector crisis, suffering four years of losses between 1989 and 1992 and a collapse into state ownership. Following a NKr2hn international share issue last autumn, the state holds 69 per cent of the hank.

Christiania has been able to write hack amounts on previous loan losses due to gains from repossessed property sales, higher collateral values, and the rise in shares acquired through deht-to-equity conversions. It still has some loan book problems.

Bank Austria posts a 20% slide

By Ian Rodger in Zurich

Bank Austria, the country's largest bank, has reported a 20 per cent slide in pre-tax profit in the first half to Sch2.1bn ($189m) due to a slump in trading income.

But the bank expects an unchanged pre-tax result in the full year, as higher lending margins in the second half offset lower profits from trading. It also said provisions for bad loans would be about 10 per cent lower than last year's Sch3.8bn.

Net interest income in the first half was flat at Sch6.06bn as loan demand remained slack. Partial operating profit (pre-tax profit excluding own account trading) was up 5.5 per cent to Sch1.8bn, mainly due to lower transaction taxes. But trading income fell 66.6 per cent to Sch291m, causing the sharp decline in pre-tax profit.

Comparative figures were adjusted to remove the extraordinary charges last year for reforming the employee pension fund.

BCP setback sours offer for bank

By Peter Wise in Lisbon

Banco Portugués Comercial yesterday reported a 9 per cent slide in net income for the first half of 1994, compared with the same period last year, to Es8.68bn ($59m). Pre-tax income rose 2 per cent to Es12.41bn.

The results came a day after BCP announced a Es132bn offer for 40 per cent of Banco Portugués do Atlântico, Portugal's largest commercial bank. Lisbon stock market analysts said yesterday tbey expected BPA to contest the bid.

The hank recorded total assets of Es1,987bn at the close of the first half, up 16 per cent.

Crédit Lyonnais sells further UAP stake

By David Buchan in Paris

Crédit Lyonnais, the troubled state-owned bank, yesterday announced the sale of a 16 per cent stake in its snbsidiary Union des Assurances Fédérales. This hrings total assets sold off since March by the bank's new management to FFr5.6hn ($1bn).

Crédit Lyonnais said its private placement of the stake with French and foreign investors would hring in FFr1.16bn. This would realise a FFr650m capital gain for the bank which is striving to rehuild its funds in the face of record losses and had debts. The bank's recent sale of its stake in FNAC, the record and book chain, to the Pinanlt gronp gave it FFr4.5hn.

Crédit Lyonnais now holds 51 per cent of UAF having sold a 33 per cent stake in January for FFr2bn. It said yesterday it intended to keep UAF as its main life insurance operation and future vehicle for managing private pension funds, if and when these were introduced in France.

By contrast, Crédit Lyonnais said it was still looking for a partner in non-life insurance whose products could be marketed in its banking network. Allianz of Germany confirmed yesterday it was discussing just such a partnership with the French bank.

Crédit Lyonnais had earlier approached Assurances Générales de France (AGF) on such a deal, hnt the latter decided to turn instead to Société Géoérale as it banking partner. Société Générale has said it wanted to increase its stake in AGF to 6 per cent from 2 per cent, on the latter's privatisation.

Crédit Lyonnais this week refused to comment on reports that it wanted to sell its 3 per cent stake in Total, the oil company. The French Treasury is reported to want AGF to buy these shares, under an agreement that state-owned shareholders in Total would give each other first option on any of their share sales. But AGF said it had received no reqnest to bny the Crédit Lyonnais stake in Total.

BMW orders outstrip production

By Christopher Parkes in Frankfurt

Orders for BMW cars outstripped production capacity in the first half of this year, when net profits jumped 14 per cent to DM290m ($161m), the automotive group said yesterday.

Output of BMW models, hampered by retooling for new models, rose 3 per cent to 285,000 units, while deliveries to customers increased 5 per cent to 291,500. Turnover climbed 7.4 per ceot to DM15.6bn.

The newly-acquired Rover group also worked at the limits of its capacity to deliver 234,600 vehicles – a 16 per cent improvement on the first half of 1993, BMW said. No financial details for Rover were included in the report.

Although the company provided no clear forecasts for the full year, apart from predicting higher deliveries and production, it suggested the early pace would slow. In the US, where first-half sales of BMWs rose 13 per cent to 41,700, it expected overall demand for passenger cars to continue increasing but at a lower rate than the 8 per cent recorded in the period to the end of June.

The company was concerned at the strength of the D-Mark, which "could bring into question the expected economic recovery", it said.

Lower growth rates were likely in western Europe, where price cuts, cheap special models and government-funded measures to encourage people to buy new cars, had lifted overall registrations 7 per cent to 6.5m units in the first half.

BMW sales in the region rose 2 per cent to 201,200 cars. Registrations in Germany Increased only slightly to 116,000.

In Japan, the marque's sales rose 15 per cent to 14,700 units, in spite of a clear fall in overall demand for quality cars. Although the Japanese market had stopped declining, an increase in overall registrations was not to be expected before 1995, BMW said.

In an enthusiastic review of the Rover purchase, the report said sales in mainland European countries had "almost without exception" grown by more than 10 per cent. The introduction of the Land Rover Discovery to the US in April had helped double sales of Land Rover vehicles there to 4,500.

The company's motorcycle business reported a 35 per cent rise in deliveries during the review period to 29,300.

Production of two-wheelers, including assembly in Italy of the new F650 single-cylinder model, increased 11.5 per cent to 24,240.

The BMW marque's share of the world market rose to 5 per cent, compared with 3.5 per cent in the first half of 1993.

Worldwide deliveries of Volkswagen group cars and vans rose 7.8 per cent in the first half of this year, writes Christopher Parkes.

The Seat and VW marques were most snccessful, recording increases of 23 per cent and 9 per cent respectively, the company said yesterday.

However, in western Europe, where overall car sales rose about 7 per cent, demand for the group's brands, which inclnde Skoda and Audi, increased 2 per cent.

German deliveries fell 3.9 per cent to 508,400 nnits, while sales elsewhere in the region galned 7.5 per cent to 600,600 vehicles.

US sales more than doubled to 57,000, while the Japanese business gained almost 50 per cent. VW group turnover and earnings figures are expected in an interim report next month.

Mercedes in Polish truck move

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Mercedes-Benz has indirectly stepped up its presence in the moribund Polish truck and hus industry following the signing of an initial agreemeot for the sale of Jelcz, the state-owned truck manufacturer to Sobieslaw Zasada Centrum (SZC) the local Mercedes-Benz dealer.

The SZC offer to purchase 51 per cent of Poland's former higgest truck producer, which assembled only 820 vehicles at a loss of 135bn zlotys ($6m) last year, was accepted by the government after two years of desultory talks with Volvo's truck division.

SZC agreed to invest 1,000bn zlotys in modernising the plant over the next six years, with funding from bank loans guaranteed by Daimler-Benz.

SZC said: "We want to put together a holding company controlling plants which are able to produce parts and possibly assemble a Mercedes vehicle in Poland when the German company is ready for such a decision."

The SZC move follows a Polish government decision last week to ban imports of used trucks aged over three years. This will make local producers such as SZC more competitive.

Last year, SZC reported a 204bn zlotys net profit. It is planning a Warsaw stock market flotation combined with a new share issue to fund furtber investments in Poland's engineering sector.

The new issue will give Mercedes, which kept a low profile during the Jelcz talks, a chance to take an equity stake in SZC.

SZC already assemble medical vehicles and delivery vans at Glowno, a former vehicle refitting works near Lodz.

First-half turnround at Solvay

By Paul Abrahams in London

Solvay, Belgium's largest chemicals group, yesterday reported consolidated profits for the first half to June 30 of BFr2.91bn ($86.6m), compared with losses of BFr5.7bn.

The results were flattered by exceptional sales of non-strategic businesses worth BFr1bn. These included the wood protection and special tile adhesives businesses. The loss last year included a BFr3bn exceptional charge for restructuring.

The group predicted profits would continue to improve as long as the European economy continued to pick up.

Turnover increased 4.5 per cent to BFr127.5bn from BFr122bn in spite of plant closures. Sales in Europe rose 2 per cent, while those in the US improved 8 per cent and sales in the Asia Pacific gained 74 per cent. However, sales in Brazil fell 20 per cent.

The company said all businesses, with the exception of peroxygens, increased operating profits. No figures were provided. The plastics business had returned from severe losses last year back into profit. It had benefited from higher volumes, as well as prices. PVC prices bad increased 35 per cent since September last year, and were set to rise further.

German group in Bulgarian transport deal

By Theodor Troev in Sofia

Willi Betz, the German transport company, is huying 55 per cent of Somat, Bulgaria's long-distance trucking company in the biggest foreign investment in the country's privatisation programme.

The German group is paying $55m for its majority stake and will invest a further $48m over the next seven years. The state will retain 25 per cent and the remaining 20 per cent will be offered to employees.

Alpha Transport of France, the competitor for the deal, complained it was not treated on equal terms with its rivals. Both foreign companies have been working with Somat since the 1970s.

Somat used to have a commanding position on the route from the Gulf to Western Europe but war and sanctions in the Gulf and former Yugoslavia disrupted the routes.

However, the company still controls half the European road haulage market to the Middle East, according to estimates. Somat is recovering its markets in Russia and the CIS.

High-tech groups report gains

By Patrick Harverson in New York

GM Hughes Electronics and Allied-Signal, two US high-technology groups, posted higher second-quarter earnings yesterday as growing automotive and commercial aerospace revenues offset a decline in sales of defence-related products.

GMHE, a subsidiary of General Motors, reported a 15 per cent gain in second-quarter profits to $267.3m, or $67 cents a share, on revenues of $3.5bn, up from $3.3bn a year earlier. First-half profits totalled $579.8m, against $421.3m in 1993.

It said productivity improvements and continued growth in its non-defence businesses were behind the gains.

Revenues from GMHE's automotive electronics division rose 24.3 per cent to $1.43bn thanks to increased production of GM vehicles, which GMHE supplies with electronic products, and stronger international and non-GM sales.

The company's telecommunications and space operations saw revenues climb 24.6 per cent to $548.9m, mainly due to work on government-related satellite manufacturing programmes and a contract to supply communications equipment to BellSouth Cellular.

GMHE's defence electronics division reported a 10.5 per cent decline in revenues to $1.38bn, while its commercial technologies unit also saw revenues fall, from $168m a year ago to $163.1m.

Allied-Signal reported second-quarter profits of $196m, or 69 cents a share, up from $167m, or 59 cents, a year ago and a record for the New Jersey-based company. The strong second quarter took first-half earnings to a record $365m, up from $313m in 1993.

During the quarter, its sales rose 4 per cent to $3.2bn. The company's engineered materials division led the way, reporting sales of $88m, np from $73m a year ago. The performance of its automotive division was also impressive. It reported a 32 per cent increase in net income to $62m on record sales of $1.25bn.

Allied-Signal's aerospace division posted higher net income, with profits from the unit rising 17 per cent to $61m as productivity gains helped offset lower military spending, which kept sales flat.

Tobacco side boosts income at Imasco

By Robert Gibbens in Montreal

Imasco, the diversified Canadian group controlled by the UK's BAT Indnstries, hoosted second-quarter earnings by 35 per cent to C$128m (US$93.4m), or C$1.05 a share, from C$95m, or 74 cents, a year earlier. Net revenues rose by 4 per cent to C$2.1bn.

Strong results from its tobacco and financial services businesses accounted for the gains. Imperial Tobacco lifted operating profit to C$148m, up 49 per cent, while Canada Trust, the country's higgest trust company, contribnted C$88m, a jump of 83 per cent.

Hardee's, the US fast food unit, improved 13 per cent to C$47m while drugstore retailing was unchanged at C$22m. The property unit improved significantly but general retailing losses were heavier.

First-half net profit was C$203m, or C$1.65 a share, up 26 per cent from C$161m, or C$1.24. Net revenues rose 1 per cent to C$3.9bn.

Imperial Tobacco's share of the domestic cigarette market reached 64.5 per cent at June 30. But profit growth will be slower in the second half.

● Rio Algom's first-half net profit was C$24m, or 48 cents a share, up from C$11.1m, or 23 cents, a year earlier on revenues of C$536m, against C$474m. Second-quarter profit equalled 33 cents a share, compared with 8 cents. The Cerro Colarado copper mine in Chile began to contribute.

Noranda soars after asset sales

By Bernard Simon in Toronto

Noranda, the Canadian resources group, has reported sharply higher second-quarter earnings, thanks to rising commodity prices, favourable currency movements and a reduced stake in Falconbridge, the nickel producer.

Net earnings jumped to C$81m (US$59m), or 35 cents a share, from C$1m, equal to a loss of 7 cents per common share, a year earlier. Revenues climhed to C$1.57bn from C$1.3bn.

The latest figures inclnde C$21m in net gains from asset sales, notably as a result of a reduction in Noranda's stake in Falconbridge from 50 per cent to 47.5 per cent.

Falconhridge recently completed a public share offering, and Noranda began fully consolidating the nickel producer's results from June 30.

Mr David Kerr, chief executive, predicted a further improvement in the second half hased on continued bnoyancy in demand and prices for most of Noranda's products.

Mining and metals contributed second-quarter earnings of C$51m, up from C$22m a year earlier. The increase was due to higher nickel, copper and gold output, and rising precious metal, potash and aluminium prices.

Noranda Forest's earnings climbed to C$23m from C$8m, reflecting huoyant lumber, panelboard and pulp markets. Oil and gas earnings rose to C$18m from C$4m. More than half the increase came from the sale of assets. Higher natural gas prices and oil production were partly offset by lower oil prices.

MacMillan Bloedel lifts second-term earnings

By Robert Gibbens

MacMillan Bloedel, the Canadian forest prodncts group, lifted profits in the second quarter. The gronp said a strengthening market for paper and wood products would enable it to absorb higher stumpage and royalty costs in the second half.

Second-qnarter profit was C$48.3m (US$35m), or 37 cents a share, up from C$22.5m, or 19 cents, a year earlier on sales of C$1bn, against C$899m.

First-half net profit was C$62.2m, or 47 cents, compared with C$68.8m, or 57 cents, on sales of C$1.9bn, against C$1.7bn.

● Canada's two biggest publishing groups continue to recover from the recession.

Southam's second-quarter net profit was C$11m, or 14 cents, up from C$3.2m, or 4 cents, on revenues of C$292m, against C$288m. Half-year profit was C$13.2m, or 17 cents, against a loss of C$4m, or 6 cents, on revenues which edged ahead to C$565m from C$561m.

Torstar's first-half profit was C$21.9m, or 55 cents a share, against C$8.1m, or 20 cents, on sales of C$489m against C$459m.

● Stelco, one of Canada's two biggest steelmakers, posted second-quarter profits of C$26m, or 21 cents, against a loss of C$13m, or 21 cents, on sales of C$730m, up 15 per cent. First-half profit was C$13m, or 6 cents, against a loss of C$51m, or 72 cents, on sales of C$1.4bn, up 16 per cent.

Donaldson to step down at NYSE in May

By Patrick Harverson

Mr William Donaldson is to step down as chairman of the New York Stock Exchange when his first term ends next May. His decision, which was expected, revived speculation over the identity of his successor.

The most likely candidate to take over is its current president and chief operating officer, Mr Richard Grasso.

During his 27 years at the NYSE, tbe 48-year-old Mr Grasso has built up a wealth of knowledge of the exchange'a inner workings. He is also popular with the exchange's floor traders and specialists, and industry sources say it is unlikely the NYSE's board will choose an outsider.

Telekom Malaysia climbs 23% at halfway

By Christine Hill in Kuala Lumpur

Telekom Malaysia increased net profits 23.7 per cent to M$605.8m (US$233.6m) for the six months to June 30 compared with the previous six months. Earnings per share were 30.5 cents.

The market greeted the results, which were within expectations, with enthusiasm. Mr James Hay, of Arab-Malaysian Securities, said: "It's such a relief that they have come in well." Most forecasts for the full year range from 71 cents to 75 cents.

Turnover rose 15.3 per cent to M$2.13hn, while pre-tax profits were up 12.1 per cent to M$788.8m. Net profits were helped by a fall in tax rates from 30.3 per cent in the first half of 1993 to 23.3 per cent in the first half of 1994.

Over the past year, Telekom's installed line capacity has grown from 12 customers per 100 population to 14 per 100. Analysts expect penetration to reach 15 per hundred by the year-end.

Analysts see Telekom as a stronger ntility in the market than Tenaga, the national power company. Both indnstries bave recently been opened to competition.

Telekom is trading at a p/e ratio of 27 times for 1994, a 15 per cent premium to the market, according to K.C. Tan, telecommunications analyst for G.K. Goh Securities.

Telekom shares closed yesterday at M$19.30, np 40 cents.

Exchange-traded currency products 'face slowdown'

DERIVATIVES

"There is little potential for success of new exchange-traded currency futures, options on futures, or direct options on currencies, particularly on exchanges other than tbe Chicago Mercantile Exchange, the world's dominant currency futures exchange."

This is the conclusion of a recent study by Professor S. Craig Pirrong of the University of Michigan School of Business Administration. The study, "Prerequisites for success of currency derivatives", was commissioned and distributed by the Catalyst Institute, a midwestern think-tank that is backed by contributions from, among others, the CME.

Despite its Chicago-centric bias, Prof Pirrong's study usefully points out that two decades of explosive growth of exchange-traded currency derivatives has now slowed appreciahly, and that the introduction of new currency contracts on the world's futures and options exchanges frequently fail.

Meanwhile, volume in underlying cash markets (worldwide foreign excbange turnover is estimated at $1,000hn daily) continues to grow, and the use of off-excbange derivatives, like swaps and over-the-counter options by Forex traders is flourishing.

A successful new exchange-listed contract, the study concludes, must have acceptable liquidity levels and low transaction costs.

The best contracts, he says, are "natural monopolies" that focus trading and liquidity in one market.

The study is interesting hecause two exchanges are engeged in a cross-Atlantic struggle for market share in the same currency options products. Matif, France's futures exchange, launcbed US dollar/French franc and US dollar/D-Mark options in May, and after two months of dealing, have kept the contracts viable.

Its primary competition is the Philadelphia Stock Exchange, which prior to the Matif's challenge, was the only exchange in the world that did a flourishing business in options on foreign currencies. Much of the PHLX's business comes from France and other parts of Europe, making the exchange much better known ahroad than it is at home.

The CME trades options on currency futures rather the currencies themselves, and unlike the PHLX, its currency options and futures volumes have been eroding this year.

To remain competitive the PHLX keeps its markets open late into the night and early in the morning to serve customers in the European time zone. The PHLX established its currency options business long before the Matif hecame a strong financial centre, and managed to defend its market share against a challenge from London's Liffe in the 1980s. Liffe has since delisted its currency options contracts.

In launching their own challenge, Matif officials reasoncd it was time to hring some of the currency dealings done by French banks in Philadelphia hack to Paris. So far, they have attracted a respectable amount of trading, while doing little damage to the much larger PHLX market.

During June, the first full month of trading, Matif currency options traded more than 70,000 contracts, with open interest, which reflects positions held longer than one day, rising steadily to more than 23,000 contracts. Activity in D-Mark options outpaced French franc turnover by about five to one.

Volume continued to grow during July, with D-Mark options turnover at 78,000 contracts by the 14th trading day of the month, and franc options turnover at 6,564. PHLX, in contrast, traded more than 1.6m options contracts in 10 different currencies and crosses during June. That included a 1m French franc options that were mostly traded in the last week of the month. The PHLX regularly trades more than 500,000 D-Mark options per month.

And if Matif business grew in July, the PHLX's flourished. On July 12, when global foreign exchange markets hiccuped, the Philadelphia exchange had a record single-day turnover of 278,764.

Mr Randy Kelsey, an assistant vice-president at Cargill Investors Services, a brokerage house that is a member of both the Matif and PHLX says that the new Matif options have done remarkably well given the stiff competition from PHLX and the scepticism that greeted the Paris contracts.

"To date I don't see a loser in this. Its a big plus if the Matif can sustain the business," says Mr Kelsey.

Laurie Morse

NEWS DIGEST

Siam Makro's profit up 224%

Siam Makro, the operator of Makro cash-and-carry wholesale stores in Thailand, has announced a 224 per cent rise in net profits to Bt166.1m ($6.65m) in the first half of 1994 from Bt51.2m in the same period of 1993, writes Victor Mallet in Bangkok.

The company, a joint venture between SHV group of the Netherlands and the multinational CP group of Thailand, was floated on the Thai stock exchange this year.

First-half earnings bave already exceeded those for the whole of 1993.

Fairfax stake

County NatWest Australia, the investment bank, disclosed that it has raised its stake in John Fairfax, the publishing group which owns three of the country's leading newspapers, from 6.29 per cent to 7.566 per cent, writes Nikki Tait in Sydney.

Gas makers merge

Toyo Sanso and Taiyo Sanso, two Japanese oxygen and industrial gas manufacturers belonging to the Mitsubishi group, are to merge next April, writes Emiko Terazono in Tokyo.

The one-for-one merger, which will create a company with sales of Y77bn ($785m), will allow the companies to streamline their operations while enabling new investment into research and development.

The merger follows that of two Mitsubishi group chemical companies, Mitsubishi Kasei and Mitsubishi Petrochemical last October.

● Mitsukoshi and Daimaru, two leading Japanese department stores, announced a tie-up of their goods delivery operations in an attempt to cut costs.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.07.94: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	10.50	17.56	19.82
0100	9.61	16.95	19.01
0130	9.61	12.00	14.06
0200	9.61	12.00	14.06
0230	9.61	12.00	14.06
0300	9.61	12.00	14.06
0330	9.61	12.00	14.06
0400	9.61	12.00	14.06
0430	9.61	12.00	14.06
0500	9.61	12.00	14.06
0530	9.61	16.52	18.58
0600	9.61	16.52	18.58
0630	9.61	16.52	18.58
0700	10.40	22.27	24.33
0730	16.79	23.82	25.88
0800	17.21	23.79	25.86
0830	17.30	26.89	28.95
0900	17.87	24.00	26.11
0930	20.05	25.51	27.63
1000	20.05	34.69	36.73
1030	20.96	34.64	36.78
1100	20.06	34.69	36.85
1130	20.07	41.81	44.00
1200	20.08	41.91	44.14
1230	20.08	41.86	44.07
1300	20.07	41.69	43.86
1330	20.05	27.40	29.52
1400	19.00	27.34	29.44
1430	18.23	25.40	27.50
1500	17.86	24.17	26.28
1530	17.86	24.16	26.25
1600	17.30	30.28	32.38
1630	17.30	30.33	32.45
1700	17.30	34.54	36.65
1730	17.30	34.48	36.58
1800	17.22	34.34	36.42
1830	17.30	23.79	25.86
1900	17.22	23.82	25.88
1930	17.22	23.78	25.84
2000	16.95	23.58	25.64
2030	16.63	23.41	25.47
2100	16.95	23.41	25.47
2130	32.97	23.41	25.47
2200	32.97	30.99	33.05
2230	32.97	30.99	33.05
2300	20.01	30.99	33.05
2330	20.01	30.99	33.05
2400	14.45	23.33	25.39

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to prices per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 9.30am and 5.15pm Monday to Friday.
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Animated films edge Disney ahead

By Patrick Harverson in New York

The continued runaway success of Walt Disney's new and classic animated films helped the US entertainment group shrug off lower theme park attendances to post a slight improvement in third-quarter profits, to $267.5m, or 49 cents a share.

In the same period a year ago, the group earned $259.1m, or 48 cents.

The results, which came in ahove Wall Street analysts' forecasts, were welcome news for the company, wbose fortunes have suffered recently from the death in April of Mr Frank Wells, president, and the sudden incapacitation of Mr Michael Eisner, the chairman, who underwent quadruple heart bypass surgery 10 days ago.

These events raised a question over the depth of managemeot at Disney, and revealed differences within the group over who should succeed Mr Eisner when he retires.

Yesterday's announcemeot of third-quarter results, however, helped reassure shareholders that in spite of Disney's travails, its earnings continue to grow.

Revenues in the period climbed 22 per cent to $2.35bn, thanks to record revenues from the film and consumer products divisions, both of which were huoyed by the success of Disney's animated films.

Film revenues jumped 53 per cent to $1hn, powered by the box-office hit *The Lion King*, an animatioo feature which was released in June and sold $186m in tickets during its first six weeks. Heavy demand in the US home video market for *The Return of Jafar*, a sequel to the top-selling *Aladdin* animated film, also contribnted greatly to revenue growth.

The popularity of Disney's new animated films, and classics such as *Jungle Book* and *Bambi*, helped boost earnings at the group's consumer products division, where revenues rose 38 per cent in the quarter to $407.6m. Sales of *The Lion King* merchandise and records were especially strong.

Michael Eisner: illness raises concern over future leadership

The one disappointment in the quarter was the performance of Disney's theme parks and resorts division, which reported a 4 per cent decline in revenues to $942.2m.

The group hlamed the decline in park attendance on a fall in the number of foreign tourists, and on the cootinued impact on its California attractions of January's Los Angeles earthquake.

The other negative influence on Disney's quarterly earnings was EuroDisoeyLand, the struggling French theme park 49 per cent-owned hy the US group. Disney said it took a charge of $52.8m in the third quarter to cover the cost of its contribution to an emergency financial restructuring of the Euro Disney group.

Disney's shares were unchanged on the New York Stock Exchange yesterday morning at $41⅝.

Anheuser posts record sales and earnings

By Frank McGurty in New York

Snrging beer sales helped Anheuser-Busch, the largest US brewer, achieve record sales and earnings in the second quarter and first half of the year.

The St Lonis-based gronp yesterday said beer sales to wholesalers jumped 3.3 per cent, to 23.4m barrels, in second three months of 1994. By the end of June, the Bndweiser family of heers commanded 43.7 per cent of the hrewing industry's total US sales, op 1.2 percentage points from last year's level.

The volume gains translated into a 6 per cent increase in second-quarter revennes, to $3.6bn, against $3.42bn in the corresponding period of 1993.

Operating income jumped 7.5 per cent to $576.6m, primarily as a result of the performance of the US hrewing business. Profits at Campbell Taggart, the company's baking division, declined as higher commodity prices put pressure on margins.

Net iocome reached an all-time high of $322.5m, 4.5 per cent higher than the year-earlier figure of $308.6m. Earnings per share, on a fully-dilnted basis, were $1.20, against $1.11 last time.

For the first six months of the year, Anheuser Busch posted net income of $527m, or $1.96 a share, on revenues of $6.62hn. The results compare with earnings of $502.7m, or $1.80, on $6.3bn in sales in the 1993 half.

Fletcher profit grows by 70%

Fletcher Challenge Canada, the integrated forest prodncts group, posted a fourth-quarter net profit of C$10.4m (US$7.6m), or 8 cents a share, up 70 per cent from a year earlier, on sales of C$462m, a rise of 5.5 per cent, writes *Robert Gibbens in Montreal*.

Fnll-year profit was C$26.4m, or 21 cents, including a special C$62m gain, against a loss of C$24.6m, or 26 cents.

Improved volumes spark 53% surge at DuPont

By Richard Waters in New York

Volume growth drove a 53 per cent jump in earnings at DuPont, the US chemicals group, in the second quarter, comfortably ahead of market forecasts.

The advance was achieved despite lower prices than a year ago. Mr Edgar Woolard, chairman, said the company expected earnings to continue to outperform 1993 for the rest of the year.

The quarterly sales of $10.2bn were 6 per cent up on a year before, even though prices in most areas of business were 3 per cent or more lower.

All of DuPont's business segments recorded improvements over a year before:

- The chemicals segment saw net income of $101m, up 11 per cent on the year, despite a 5 per cent fall in selling prices.
- A 61 per cent improvement in earnings from the fibres business, to $177m, was due largely to the acquisition of ICI's nylon business, which pushed up sales by 13 per cent. Without this, sales were up 3 per cent.
- The polymers husiness reported a 71 per cent earnings advance, to $183m, due to the divestment of some husinesses over the year. Excluding the effect of these, sales were up 13 per cent year-on-year.
- After a further $47m charge to settle claims relating to the fungicide Benlate, earnings in the diversified businesses segment rose 72 per cent to $206m.
- Underlying earnings in the petroleum operations rose only marginally, to $310m. This still marked a better experience than most other big oil groups during the period.

Net income for the quarter of $792m, or $1.16 a share, compared with $516m, or 76 cents the year before. First-half net income of $1.4bn was up from $1hn.

Sales fall hits US drugs group

By Richard Waters

Marion Merrell Dow, the US drugs group majority-owned by Dow Chemical, suffered a 23 per cent decline in earnings per share during the second quarter. It hlamed falling sales for a number of its biggest products.

Lost sales from prescription drugs were replaced by sales of lower-margin products at Rugby Group, a generics drug manufacturer acquired during the last year, which contributed sales of $83m in the latest period.

After-tax profits for the quarter were $116m, or 43 cents a share, down 23 per cent from a year ago (before a one-off charge taken in the 1993 period.) For the half year, net income was $204m, 12 per cent lower than the year before.

The company'e performance stands in marked contrast to other US drugs groups, most of which beat market expectations during the second three months of the year, on solid sales growth in their home market.

Their figures suggest the pessimism over the effect of managed care on drug pricing may have been overdone, at least in the short term.

Leaving aside the effect of acquisltions, sales at Marion Merrell Dow in the three months were 15 per cent lower than the $750m of a year ago. Including acquisitions, though, sales rose to $764m.

The fall-off in prescription drug sales included a 24 per cent drop in sales of Seldane, an anti-allergy product, to $201m; a 10 per cent drop in the Cardizem family of cardiovascular pharmaceuticals, to $188m; and a 16 per cent decline in revenues from Carafate, an ulcer drug, to $38m.

Seldane's patent expired in April, while Cardizem has been off patent for some time.

US defence groups aided by purchases

By Richard Waters

Martin Marietta and Loral, two US defence companies, reported markedly different results for the three months to June, a period in which both were bnoyed by contributions from recent acquisitions.

Martin Marietta failed to meet market expectations with a 31 per cent advance in net income, to $162m.

Earnings per share of $1.29, fully dilnted, were ahead of last year's 99 cents hut well short of some market expectations.

Meanwhile, Loral's earnings of 65 cents a share were ahead of last year's 48 cents and above what the market had been looking for.

Martin Marietta's figures in the second quarter were the first to include contrihutions from the space systems division of General Dynamics, acquired in May. Despite this, sales fell 5 per cent to $2.5bn.

Loral, meanwhile, reported net income of $55m on sales of $1.3bn, compared with $40m on sales of $850m a year ago.

Components groups study link

By John Ridding in Paris

Valeo, the French automobile components company, and Siemens, the German electrical engineering group, yesterday announced they were studying a merger of their automotive air-conditioning operations and small motors activities.

Total annual sales of the combined activities would be about FFr6.6bn ($1.2m). The venture would he one of the most significant moves in the restructuring of the European automotive components sector, creating an alliance hetween two of the industry's leaders.

They plan to create two separate companies – one in automotive heating and air-conditioning systems which would have annual sales of about FFr4bn, the other in electric motors, with annual sales of an estimated FFr2.6bn.

According to Valeo, the plan would allow the companies to take advantage of their respective strengths in the two market segments.

Valeo, which would contribute about FFr3bn of the sales in the automotive heating and air-conditioning business, would hold a majority share in this company.

Siemens, by contrast, would hold a majority stake in the small motors husiness and contribute about FFr2.4bn of the combined annual sales.

The motors would be used in automotive applications, such as air-conditioning and windscreen wipers and in domestic appliances.

A spokesman for Valeo said the merged activities would complement each other in geographical and technological terms. He added that the European market for climate control and air-coodition-ing had strong growth prospects.

About 15 per cent of European cars have air-conditioning systems, he said, compared with about 90 per cent in North America.

The companies hope to conclude the merger study by the end of the year. Legal details would then be negotiated.

Higher prices help lift Freeport

By Kenneth Gooding, Mining Correspondent

Higher metals and phosphate fertiliser prices helped Freeport-McMoRan, the New Orleans-based natural resources group, report second-quarter net income of $4.63m, or 3 cents a share, compared with a net loss of $77.4m, or 54 cents, a year ago.

For the six months to June 30, the company recorded net income of $17m, or 12 cents, against a net loss of $132.7m, or 93 cents.

Second-quarter revenues benefited from increased sales volumes. Freeport's metals affiliate, Freeport-McMoRan Copper & Gold, sold 168.6m lbs of copper and 185,400 troy ounces of gold, up from 140m lbs and 127,200 ounces in the same quarter of 1993.

A price-protection hedging programme also lifted the average realised price of copper to $1.02 a lh, against 90 cents, while gold sale prices averaged $353.82 an ounce, compared with $338.60.

However, copper production costs were abnormally high in the quarter.

Bethlehem Steel shares dive 8%

By Richard Waters

Shares in Bethlehem Steel, one of the best-performing big company stocks in the US earlier this year, fell about 8 per cent to $20⅞ by midday yesterday, as the company's second-quarter results failed to match expectations.

After-tax income of $26m, or 14 cents a share, marked the fourth consecutive quarter in which the hig steelmaker has been in profit, and compared with a loss of $14m, or 27 cents a share, a year ago.

However, most analysts had predicted that stronger demand for steel from automotive manufacturers and the construction industry, together with a series of price increases in the past year, would push earnings per share in the quarter up to around 30 cents.

The year-on-year improvement stemmed from "higher realised steel prices and increased shipments," the company said. Sales were 10 per cent higher than a year before, at $1.23hn.

However, profit growth was held back hy higher operating costs. The company blamed this in part on the need to buy in supplies of steel to feed its mills, and of coke to keep its furnaces running. The latter was needed because the coke oven in its Burns Harbour plant is being rebuilt.

The company has also faced higher capital spending, which rose hy more than three-quarters to $223m in the first half of the year and is projected to reach $450m for the year as a whole, up from $327m in 1993.

Mr Curtis Barnette, chairman and chief executive, forecast continuing strong demand for steel "through 1995".

For the first six months of the year, net income was $39m, compared with a loss of $54m a year before.

INTERNATIONAL CAPITAL MARKETS

Gilts sharply lower after auction fails to meet expectations

By Conner Middelmann in London and Frank McGurty in New York

European government bonds ended a volatile session lower, with the UK and Italian markets posting the sharpest losses. Weak US Treasuries following stronger-than-expected durable-goods orders data put a further dampener on European markets.

GOVERNMENT BONDS

■ UK government bonds ended the day sharply lower following a disappointing gilts auction and late selling in the futures pits.

The initial reaction to the auction results was muted, with dealers disappointed to see that the £2bn of 6.25 per cent gilts due 2010 had a bid-to-cover ratio of just 1.29 times.

"The gilt auction result was worse than expected," said Mr Edmond Warner, head of strategy at Kleinwort Benson. "We needed a cover of around 2 times – so many expectations had been built into this," he added.

Yesterday's auction – the first for a conventional, long-dated gilt since January – had been regarded as a key test of market sentiment, and the low investor demand indicated that it remains fragile, traders said.

After this auction, "the Bank will be extremely reluctant to test the market in August – there'll probably be no more supply until the autumn," said Mr Chris Anthony, gilts analyst at ABN Amro Hoare Govett.

Some dealers reported investor switching into the new stock out of other gilts but said there was little outright investor buying of the new bonds. "This left dealers stuck with a lot of the bonds investors switched out of – the net result was that many of us were short the new stock and long other bonds," said a gilts market maker.

Seeing other European and US bonds falling, traders decided to hedge their long positions by selling futures against them, causing a sharp fall in the gilt futures price in late trading, he explains. The September long gilt contract on Liffe fell by 1⅞ to 101⅞ on the day.

Prices were further pressured by rumours that Bank of England Governor Eddie George and Chancellor Kenneth Clarke may raise UK interest rates when they meet today.

■ Italian markets took another tumble as rising political tensions weighed on bonds and the currency.

Reports that an arrest warrant for Prime Minister Silvio Berlusconi's brother had been issued in connection with the probe of his media company Fininvest, and late rumours – denied by a government spokesman – that Mr Berlusconi would himself resign, sent bond yields soaring towards their year's highs.

The Italian 10-year yield spread over bunds rose to 411 basis points, from 390 on Tuesday. The September BTP future on the Italian futures exchange fell by 1.52 point to 101.31.

■ German bonds also weakened on the day, hit by weakness in the US market but remaining largely range-bound.

The Treuhandanstalt's five-year note was absorbed without difficulty but saw little retail demand, dealers said. This was reflected in the modest size of the issue: the Bundesbank sold DM2.49bn of the 6.25 per cent paper to the market and retained DM1.51bn for market-tending purposes.

■ US Treasury bonds retreated yesterday morning amid fresh evidence of an accelerating economy.

By midday, the benchmark 30-year government bond was ⅞ lower at 84⅝, with the yield climbing to 7.608 per cent. At the short end, the two-year note was down ⅛ at 99⅞, to yield 6.21 per cent.

The catalyst for the downturn was the Commerce Department's announcement of a 1.3 per cent gain in orders for durable goods last month.

Economists said the big jump demonstrated that the manufacturing sector had not slowed as a result of this year's cycle of interest rate increases. The news reinforced the expectation that the Federal Reserve was poised to lift rates even higher in the coming weeks. The robust level of orders raised the likelihood of a move to put up the pivotal Federal Funds rate by 50 basis points to 4.75 per cent, rather than a more modest 25-point increase.

Looking ahead, the data further raised new fears over Friday's preliminary estimate of second-quarter economic growth.

The bearish fundamentals were also having an impact on the market's technical position, with an afternoon auction of $11bn in new five-year notes looming.

Dealers sought to push prices lower in an effort to extract concessions when the Treasury awards the issue.

Group plans clearing house for forex trades

By Laurie Morse in Chicago

A consortium of eight large North American banks and the world's largest derivatives clearing house have applied for regulatory approval to launch a clearing house for foreign exchange transactions.

If they succeed, the resulting Multinet International Bank would be the world's first multilateral clearing organisation for over-the-counter currency transactions.

Despite the sheer size of the foreign exchange markets, foreign currency trades traditionally are cleared on a bank-to-bank basis.

Multinet, which has been operating since 1992 as a bilateral clearing mechanism, will be owned by First National Bank of Chicago, Chase Manhattan Bank and six leading Canadian banks, including the Bank of Montreal, the Royal Bank of Canada and Toronto-Dominion Bank.

It will be operated by International Clearing Systems, a subsidiary of the Options Clearing Corporation.

The system will initially clear spot and forward transactions in Canadian and US dollars, but eventually will clear other leading currencies.

Its supporters claim the clearing house will reduce the counterparty credit risks and costs of banks' foreign exchange dealings.

"We're building a safety net under today's $1,000bn daily currency market," said Mr Garrett Glass, senior vice-president at First National Bank of Chicago.

Multinet's operation must be approved by the Federal Reserve Board and the State of New York Banking Department.

CME penalises trader after alleged frauds

By Laurie Morse

The Chicago Mercantile Exchange has disciplined a former employee of a member firm for alleged fraudulent trading on its Globex after-hours trading system. The case is believed to be the first involving US computerised futures fraud.

A CME judicial committee found Mr Steven Tropper, a New York-based foreign exchange trader, had defrauded LIT America, a CME member firm, of about $11,000 between March and June of 1993.

The exchange barred Mr Tropper from Globex, and banned him from working for any CME member or member firm for three years. He has paid $11,000 in restitution to LIT America, and was fined an additional $14,000.

Mr Tropper agreed to the sanctions without admitting or denying the charges.

EIB eurobond offering takes centre stage

By Graham Bowley and Antonia Sharpe

The European Investment Bank's expected Y50bn offering of three-year eurobonds was the main focus of attention in the eurobond market yesterday.

INTERNATIONAL BONDS

Lead manager Mitsubishi Finance reported firm demand for the offering. The issue passed mainly to Japanese institutions although there was also some interest from European investors. The EIB said the proceeds of the offering would refinance a yen-denominated bond it called recently.

However, other syndicate managers expressed disappointment at the pricing, which they said was expensive. The bonds were issued with a coupon of 3.2 per cent to yield 3.134 per cent. Syndicate managers had been looking for a yield which was 10 to 15 basis points higher.

They said given such aggressive pricing, much of the issue was likely to be sold back to the lead manager over the the next few days. According to one trader, once the bonds were freed to trade the spread widened from six basis points below the yield on the Japanese government's No 102 three-year bond to one basis point above the JGB. However, the lead manager said that the spread was unchanged at the close.

The other deal of interest yesterday was a $265m offering of seven-year amortising notes from MC Cuernavaca Trust, the Mexican state-owned toll road which links Mexico City with Cuernavaca. The securitised offering will be backed by receipts from the toll road.

The bonds, which will have an average life of 3.38 years, are due to priced today at about 350 basis points over US Treasuries to produce a semi-annual yield of 10¼ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
FCALMT Series 1994-1(a)‡	1bn	(a1)	100.00R	Jul.2001	0.40R	-	Merrill Lynch International
MC Cuernavaca Trust(b,e)	265	9.25	(b1)R	Jul.2001	1.125R	-	Lehman Brothers Intl.
LTCB of Japan(c)‡	120	(c1)	101.50	Aug.2004	2.00	-	LTCB International
YEN							
European Investment Bank	50bn	3.20	100.16R	Aug.1997	0.1875R	-	Mitsubishi Finance Intl.
Merrill Lynch & Co.(e)★‡	10bn	(d)	100.00	Nov.1998	0.275	-	Merrill Lynch Intl.
AUSTRALIAN DOLLARS							
Rabo Australia	100	8.50	101.057	Sep.1997	1.50	-	Swiss Bank Corp.
SWEDISH KRONOR							
Commerzbank O'seas Finance	500	10.75	99.96R	Sep.1999	0.25R	+68 (11%-99)	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. ★Unlisted. R: fixed re-offer price; fees are shown at the re-offer level. a) Ford Credit Auto Loan Master Trust. Expected maturity: 15/7/99. a1) 3-mth Libor +17bp. b) Targetted amortising date: 25/1/00 and average life: 10/12/97. Quarterley coupons. Callable on coupon dates after 3 yrs. b1) Priced today to yld approx 10¼%sa to average life. c) Callable on 18/8/97 at par. c1) 6-mth Libor +50bp to 18/8/97 and 10% fxd annual thereafter. d) 2.4% to 16/11/95 and 6-mth Libor +25bp thereafter. e) Short 1st coupon.

Lead manager Lehman Brothers said the single-A rating on the offering, the first of its kind from a Mexican toll road, resulted in a broad spread of demand from both sides of the Atlantic.

Elsewhere, news that Standard & Poor's had lowered Venezuela's eurobond ratings to single-B plus from double-B minus had little impact on spreads on Venezuelan bonds since they had already widened out substantially last week in response to the deteriorating situation in the country. Indeed, some bankers are not ruling out an early military coup, in view of the government's recent limitations on civil liberties.

The outlook on the ratings is negative.

● S&P has raised its senior long-term debt rating of Aegon, the Dutch insurer, to double-A from double-A minus and subordinated debt rating to double-A minus from A plus. S&P said the ratings reflect Aegon's strong market position, favourable operating performance and conservative capitalisation. The outlook on the rating is stable.

IFC approves investment in Peruvian fund

By Antonia Sharpe

The International Finance Corporation (IFC), the private sector arm of the World Bank, has approved an equity investment in a new fund which will enable international banks to exchange their holdings of Peruvian government debt for shares in state-owned companies.

The IFC's investment will be for the cash equivalent of up to 12 per cent of the total debt and cash commitments to the fund, which has a target size of $250m of face value of Peruvian debt (around $110m at current market value).

Debt is expected to make up around 70 per cent of the fund.

Over the past two years 20 Peruvian companies have been privatised, raising around $2.5bn. By the end of its term in 1995, the government hopes to have sold off 60 state-owned companies.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	08/04	97.4000	+0.880	9.40	9.42	8.65
Belgium		7.250	04/04	95.4500	-0.600	7.93	7.89	7.85
Canada *		6.500	08/04	81.7000	-0.700	9.39	9.07	6.22
Denmark		7.000	12/04	83.6500	-0.350	7.91	8.02	6.17
France	BTAN	8.000	05/98	104.8250	+0.130	6.58	6.47	6.64
	OAT	5.500	04/04	67.7300	-0.570	7.30	7.28	7.32
Germany Bund		6.750	05/04	99.2700	-0.480	6.85	6.77	6.96
Italy		8.500	01/04	86.8000	-1.200	10.76†	10.39	10.14
Japan	No 115	4.800	06/99	104.7380	+0.080	3.86	3.83	3.59
		4.100	12/03	98.0710	-	4.39	4.32	4.29
Netherlands		5.750	01/04	91.9800	-0.400	6.93	6.86	7.03
Spain		8.000	06/04	85.1500	-0.550	10.48	10.36	10.47
UK Gilts		6.000	08/99	90-27	-37/32	8.26	7.86	8.15
		6.750	11/04	87-30	-47/32	8.52	8.24	8.39
		6.000	10/08	103-05	-60/32	8.61	8.35	8.46
US Treasury *		7.250	06/04	99-14	-14/32	7.33	7.25	7.23
		6.250	08/23	84-07	-17/32	7.60	7.55	7.50
ECU (French Govt)		8.000	04/04	88.2400	-0.490	7.76	7.72	7.84

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¼	One month	4.21	Two year	6.23
Broker loan rate	5½	Two month	4.34	Three year	6.50
Fed.funds	4¾	Three month	4.57	Five year	6.96
Fed.funds at intervention	4¼	Six month	5.05	10-year	7.33
		One year	5.56	30-year	7.61

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.50	117.16	-0.60	117.56	117.06	114,133	123,303
Dec	116.60	116.34	-0.56	116.62	116.28	1,375	14,583
Mar	115.90	115.64	-0.56	115.90	115.76	2	2,471

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
116	-	-	-	-	0.52	-
116	-	1.95	2.52	0.03	0.70	2.05
117	0.52	1.30	1.90	0.21	1.07	2.56
116	0.10	0.76	1.31	0.86	1.60	-
118	0.03	0.41	-	-	-	-

Est. vol. total, Calls 15,023 Puts 16,250. Previous day's open int., Calls 381,274 Puts 392,203.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.81	93.28	-0.39	93.78	93.24	114227	165855
Dec	92.95	92.63	-0.40	93.10	92.64	616	14216

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9300	0.96	0.94	1.16	1.34	0.68	1.31	1.56	1.71
9350	0.68	0.71	0.96	1.10	0.90	1.58	1.83	1.97
9400	0.45	0.53	0.75	0.90	1.17	1.90	2.12	2.27

Est. vol. total, Calls 9348 Puts 13124. Previous day's open int., Calls 261373 Puts 281721

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.29	-0.22	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.40	101.26	-1.43	102.48	101.16	53507	78127
Dec	101.35	100.15	-1.58	101.35	100.75	45	146

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10100	1.80	2.56	1.55	3.41
10150	1.53	2.35	1.78	3.70
10200	1.29	2.15	2.04	4.00

Est. vol. total, Calls 2156 Puts 2216. Previous day's open int., Calls 36304 Puts 32184

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.65	90.15	-0.56	90.66	90.14	37,029	102,383
Dec	-	90.00	-	-	-	-	610

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-23	101-04	-1-28	102-26	101-00	82432	115068
Dec	-	100-10	-1-26	-	-	0	1408

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	1-33	2-35	1-25	3-15
102	1-03	2-08	1-59	3-52
103	0-43	1-48	2-35	4-28

Est. vol. total, Calls 2752 Puts 4873. Previous day's open int., Calls 71513 Puts 54338

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	85.38	84.86	-0.62	85.38	84.72	582	7,640
Dec	-	84.42	-0.62	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-28	102-13	-0-15	102-29	102-09	243,266	374,038
Dec	102-04	101-20	-0-15	102-04	101-17	1,886	86,478
Mar	100-28	100-29	-0-16	100-29	100-28	26	4,267

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.28	-	-	109.40	109.26	1323	0
Dec	108.48	-	-	108.49	108.40	51	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jul 27	Day's change %	Tue Jul 26	Accrued interest	xd adj. ytd		Low coupon yield Jul 27	Jul 26	Yr. ago	Medium coupon yield Jul 27	Jul 26	Yr. ago	High coupon yield Jul 27	Jul 26	Yr. ago
1 Up to 5 years (24)	120.87	-0.49	121.47	1.46	8.61	5 yrs	8.26	8.01	6.75	8.46	8.22	6.92	8.52	8.29	7.12
2 5-15 years (22)	140.09	-1.31	141.95	1.98	7.56	15 yrs	6.47	8.28	7.72	8.59	6.38	7.83	6.87	6.66	8.09
3 Over 15 years (9)	155.20	-1.78	158.02	1.30	8.11	20 yrs	8.43	8.26	7.86	6.59	8.38	7.91	8.73	8.54	8.11
4 Irredeemables (6)	178.07	-1.96	181.63	2.28	7.36	Irred.†	6.51	8.33	8.00						
5 All stocks (61)	137.37	-1.14	138.96	1.69	7.48										

Index-linked							Inflation 5% Jul 27	Jul 26	Yr. ago	Inflation 10% Jul 27	Jul 26	Yr. ago
6 Up to 5 years (2)	187.02	-0.11	187.23	1.61	2.53	Up to 5 yrs	3.73	3.67	2.84	2.66	2.60	2.06
7 Over 5 years (11)	171.13	-0.59	172.14	0.54	3.25	Over 5 yrs	3.61	3.86	3.43	3.72	3.67	3.24
8 All stocks (13)	171.89	-0.54	172.82	0.64	3.18							

Debentures and Loans						5 year yield Jul 27	Jul 26	Yr. ago	15 year yield Jul 27	Jul 26	Yr. ago	25 year yield Jul 27	Jul 26	Yr. ago
9 Debs & Loans (75)	128.53	-2.00	131.15	2.95	5.67	6.64	9.37	8.50	8.59	9.34	8.78	8.54	9.30	8.92

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 27	July 26	July 25	July 22	July 21	Yr ago	High*	Low*
Govt. Secs. (UK)	92.28	93.22	93.17	93.43	93.45	96.47	107.04	90.90
Fixed Interest	111.51	111.57	111.54	111.73	111.75	117.61	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 26	July 25	July 22	July 21	July 20
Gilt Edged bargains	73.2	89.5	90.9	114.5	132.1
5-day average	100.0	111.1	118.3	127.8	125.4

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts (Lives up to Five Years)						
[illegible]						

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91¼	91½	-⅛	7.91
Alberta Province 7⅞ 96	1000	101¼	101½	-⅛	7.29
Austria 8½ 00	400	101⅞	105¼	-⅛	7.37
Bank of Tokyo 8⅞ 96	100	102⅞	103		6.79
Belgium 5½ 03	1000	84¾	85	-⅛	7.67
[illegible]					
United Kingdom 7¼ 97	5500	102¾	102⅞		6.15
Volkswagen Intl Fin 7 03	1000	98½	98⅞	-⅛	7.23
World Bank 0 15	2000	21⅝	22	-1½	7.42
World Bank 5⅞ 03	3000	92¼	92¾	-⅛	7.03
World Bank 8¾ 00	1250	111¾	112¼		6.24
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	92¼	93	-1	9.24
Alliance Leics 11½ 97 £	100	107¾	108¼	-½	8.12
British Land 8⅞ 23 £	150	87⅞	88⅜	-1⅞	10.44
Denmark 6¾ 98 £	800	94½	94⅞	-¾	8.33
EIB 10 97 £	637	104⅝	105	-⅛	7.86
Halifax 10⅜ 97 £	100	105¼	105⅝	-½	7.96
[illegible]					

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Mobile side supports BT

By Andrew Adonis

British Telecommunications reported a pre-tax profit of £781m in the three months to June 30, a 3.2 per cent increase on last time's £757m. Before redundancy charges profits advanced 2.1 per cent.

Turnover increased 1.4 per cent to £3.38bn (£3.34bn). However, the company had to rely largely on a sharp increase in income from mobile services and Cellnet, its cellular joint venture with Securicor, to offset a 2.6 per cent fall in turnover in its core national and international traffic.

Allowing for discontinued activities turnover was up by 2.5 per cent.

Although BT faced increased competition in the opening quarter from Mercury and cable operators building local networks, it blamed the fall in traffic income on large price reductions made under an agreement with Oftel, the telecoms regulator, which obliges it to reduce call charges by 7.5 per cent a year after allowing for inflation.

BT estimated that net price reductions cost it £120m in the quarter. It will have to make further price cuts in the autumn. Sir Iain Vallance, chairman, warned that the next round of price cuts and additional redundancy costs "will be moderating influences on our full-year results".

Part of the impact of the price cuts was offset by a 7 per cent increase in inland traffic since last year and a 5 per cent rise in international traffic. It pointed to the sharp increase in inland traffic, which compared with a 2 per cent increase between the same quarters in 1992 and 1993, as evidence of the success of its current campaign to encourage greater phone usage.

Exchange line rental income grew by 4.2 per cent to £620m, reflecting continuing line growth and an increase in line rental prices.

A 12 per cent increase in revenue from other sales and services to £791m was mainly due to increased activity at Cellnet and BT's mobile division. The number of Cellnet cellular connections rose by 128,000 to 1.15m.

BT's redundancy programme reduced the number employed by 1,700 to 154,300. Redundancy costs were £54m. Total redundancy costs for the current year are projected at £750m.

Eliminating redundancy charges, staff costs were 3.5 per cent lower.

Mr Laurence Heyworth, telecoms analyst at Robert Fleming, said BT's underlying position was robust, with line growth of 100,000 a month, aggregating the cellular and fixed-line sectors.

Earnings per share rose by 2.5 per cent to 8.1p (7.9p).

Water board nomination raises accountability debate

By Peggy Hollinger

A leading pension fund consultancy is considering backing the nomination of a former water industry regulator to the board of Yorkshire Water. The nomination of Mrs Diana Scott, former chairman of the Yorkshire Water Services Committee, has been opposed by Yorkshire's directors.

Pensions and Investment Research Consultants, which advises 16 local authority pension funds with £18bn in assets, said the nomination raised several important issues about privatised utilities.

"Our clients have become increasingly concerned about their lack of accountability in areas such as disconnections, directors' pay and environmental performance," said Mr Stuart Bell, research director.

Mrs Scott was nominated by a shareholders' resolution which requires the backing of more than 100 investors holding more than £10,000 in share capital. Mr Bell said such proposals were highly unusual, although increasing. There have been two other such resolutions this year, at Norweb and British Aerospace.

See Lex

Institutions call for change at Enterprise

By Robert Peston

Norwich Union and the Prudential Corporation want Mr Graham Hearne, chairman and chief executive of Enterprise Oil, to surrender his role as chairman.

The two institutions, which jointly own 10 per cent of Enterprise's shares, have together had a meeting with Mr Hearne and are waiting to hear how he plans to respond to their concerns. They are the biggest holders of Enterprise shares among investment institutions.

There had been widespread speculation that Mr Hearne would be forced by investors, unhappy with his management of Enterprise's failed £1.6bn bid for Lasmo, to give up his role as chief executive.

However, Prudential and Norwich believe it is in shareholders' interest for Mr Hearne to remain as chief executive, a position he has held since 1984, and for a new chairman to be found.

The two institutions appear to be on a collision course with Enterprise and its board. It is the board's policy that over the coming two years the company should find a new chief executive to succeed Mr Hearne, who is 56.

A friend of Mr Hearne said: "It could all get very nasty. Graham is in no mood to stand down as chairman".

Mr William Bell, Enterprise's senior non-executive director who until 1991 was chairman of the oil company, is in the process of offering to meet Norwich and the Prudential to discuss their concerns.

He will tell them that the company already had a strategy to establish a counterweight to Mr Hearne by the recent appointment of Mr Michael Pink as chief operating officer.

The anxieties of the two institutions would not be allayed if Mr Bell were to offer a compromise solution of speeding up the search for a new chief executive, which could be Mr Pink, though he is only a year younger than Mr Hearne.

Lloyds Abbey Life shows 13% advance

Lloyds Abbey Life, the life assurance group, yesterday reported a rise in pre-tax profits for the first half of 1993 to £171.8m – 13 per cent higher than the same period last year – despite sharp falls in sales by its two core life insurance subsidiaries, writes Alison Smith.

Sir Simon Hornby, group chairman, said that the life assurance companies were trading in a market where sales were unlikely to grow in the short-term, but that both were responding to market conditions by intensifying training and making substantial changes to the sales process.

He highlighted the impact of recent unfavourable publicity about the life industry as a whole, which has focused on the possible mis-selling of personal pensions to people transferring out of occupational schemes and on general levels of training and of compliance with regulators' requirements.

The steepest fall in performance was in Black Horse Financial Services, a "bancassurance" company selling products only to customers of Lloyds Bank.

It recorded a drop in sales of 40 per cent.

Abbey Life, the group's other UK life assurance division, suffered a drop in sales of 8 per cent. Mr Stephen Maran, group chief executive, said Abbey Life's performance was broadly in line with the market.

He attributed about half the drop in BHFS's sales to the extensive amount of time devoted to training rather than selling during the six-month period.

A further factor in the fall in business is that the group has not yet re-entered the pensions transfer market.

Within the £171.8m total pre-tax profits, BHFS fell 27 per cent to £44.1m (£60m), while Abbey Life slipped back to £66.9m (£69m).

The increase in group profits was largely due to the recovery in Lloyds Bowmaker, the finance company, both in terms of income and a sharp fall in the charge for bad debts.

Its pre-tax profits almost trebled, rising to £33.5m from £11.5m.

Earnings per share for the group rose 14 per cent to 16.3p (14.3p), and the interim dividend is increased 8 per cent to 6.8p (6.3p).

● The impact of regulation on the life industry was also reflected in comments from Sun Life, despite its 13 per cent increase in new business for the first half of the year at £182.6m (£161.1m) reported yesterday.

Mr John Reeve, managing director, said although the group had improved on earlier results against the industry trend, he expected regulatory pressures, keener competition and a contracting market "will make it unlikely that the current rate of year-on-year increase will be sustained for the full year".

Waiting for life to take a turn for the better

Alison Smith considers the prospects for a depressed sector of the insurance market

The good and the bad news for the life assurance industry was encapsulated yesterday at the announcement of the first half results for Lloyds Abbey Life, the life assurance group.

The good news was set out by Mr Stephen Maran, chief executive, who said that in the longer term, demographics and consumer perception of the extent of state provision in the future meant that there would be a revival in the pensions market. A low-inflation environment would also contribute to an active investment market.

The more immediate bad news was underlined by Sir Simon Hornby, chairman, who said that sales were unlikely to grow in the short term because consumers were reluctant to make a commitment to long-term life assurance and recent publicity had undermined public confidence in the industry.

The question for the whole life industry is how to get from where they are now to the brighter prospects some way away.

Current difficulties were seen yesterday by the restructuring and reduction of the direct life and pensions sales force of Norwich Union.

At the same time, the 40 per cent drop in new business at Black Horse Financial Services, the Lloyds Abbey Life "bancassurer" which sells only to Lloyds Bank customers, offered a vivid illustration of how life has not improved since the poor figures for the industry as a whole in the first quarter were published by the Association of British Insurers in May.

The ABI figures showed a sharp fall in the sale of single premium personal pensions and a 9 per cent drop in new annual premium income from life assurance and annuities to £378m, against £417m in the 1993 first quarter.

Last week, Prudential Corporation, the UK's largest life insurer, reported that UK sales of single and annual premium life and pensions policies fell by almost one fifth in the first six months of this year compared with the same period in 1993.

Refuge has reported a 30 per cent fall in sales of life and pensions; Legal & General has reported a fall of just over 16 per cent in UK sales of life and pensions new premium business to the end of June; Britannic Assurance has recorded a smaller drop.

Insurers such as Sun Life, which yesterday reported a 13 per cent increase in new business, are rare.

The relationship between the life industry and its regulators has depressed business in two ways.

First, there is the impact on the company itself. Programmes for re-assessing and re-training the sales force – whether voluntarily or compulsorily – means time not spent selling, even if the better-trained sales agents are eventually more productive.

Tony Andrews

Stephen Maran: compliance costs have surged in recent years

Similarly, the decision by some companies not to return yet to the sale of personal pensions to people transferring out of occupational schemes restricts the range of products they offer.

There is also the more general question of the cost of meeting regulators' requirements. Mr Maran said yesterday that compliance costs were now seven or eight times the costs of compliance four or five years ago.

Second, there is the impact on public confidence of the apparently endless run of publicity for life insurers which have failed to comply with regulators' requirements.

The widespread concern about the possible mis-selling of pension transfers which erupted last December will cast a shadow over the industry for many months to come.

There is some scope for blunting the effect of this by increasing sales of other products, but there are limits to this.

For example, sales of single premium investment products this year have been affected by the volatility of the markets, and mortgage-related products have been hit by the fragility of the housing market recovery.

More fundamentally, pension sales is an essential area of business. Mr Tom King, marketing general manager of Standard Life, says that pension business now accounts for 40 per cent of Standard Life's total business. "It's a core business these days," he says.

Beyond pensions has been the more generalised damage done by the publicity attracted for high street financial institutions such as Norwich Union, Nationwide and Barclays Life, which have taken remedial action after a visit from the regulators.

Mr Peter Nowell, group chief actuary at Prudential, is not expecting a significant improvement in business until next year. Some in the industry would be more cautious than that, since no-one knows how the new regime for disclosing information about the product, including charges and costs, to the customer, will affect business.

Mr Roman Cizdyn, insurance analyst at Smith New Court, believes it will be a long time – probably 1996 – before new business figures show an upturn, but that does not stop him being reasonably confident about the quoted companies.

"In a horrid market, they are relatively well-placed. There are life offices a lot worse than they are," he said.

PEOPLE

European representation expands on board of media group Aegis

Aegis group, the pan-European media planning and buying specialist, has appointed Kai Hiemstra, 55, right, as an executive director on the group's main board.

The move has a special flavour to it: "We could count on the fingers of one hand the numbers of German nationals who are non-executives on the board of British companies. To appoint a full executive director like this is quite unusual," says the German-British chamber of commerce in London.

An experienced advertising figure, Hiemstra is founder and chairman of HMS Media Service, based in Wiesbaden, Germany. HMS has grown into Germany's largest media buying and planning specialist, with a 12 per cent market share.

While there is a sprinkling of Germans on various boards in the City, the ranks thin somewhat outside the financial world.

Among the better-known are Gertrud Hohler, founder of an eponymous firm of management consultants in Germany, who has been a Grand Metropolitan non-executive director since 1992.

The year before, Ellen Schneider-Lenne, of Deutsche

bank, joined ICI, in the same role. John von Spreckelsen, chief executive of Budgens since May 1991, is German-born. Martin Kohlhaussen was a non-executive at Tiphook until March this year, and the former Volkswagen boss, Carl Hahn, is a non-executive with BP. Most famous perhaps is Dieter Bock, joint chief executive at Lonrho.

Hiemstra's elevation bolsters the group's European outlook; the board now has representatives from the US, France, Switzerland, the UK and now Germany. "It's a genuinely European board," says Aegis, "where all group business is conducted in English."

Aegis acquired 50 per cent of HMS in 1988, the remaining half in 1993, when the billings of HMS represented 30 per cent of the total for the Aegis group.

■ John Wilson has been appointed managing director of BULLERS, tha giftware, fine art and decorative products group. He was formerly executive chairman of Peter Cox. Martin Duffy has been made a non-executive director of the company.

■ Gerald Bowthorpe has been appointed managing director of OCS GROUP, the fourth generation of the Goodliffe family at the group.

Wyatt gets bullish on sales

At weekends, Carol Wyatt helps her husband rebuild their house near Slough.

But for the next two years or so, Groupe Bull's newly appointed director of sales will spend her weekdays in Paris, building the group's international open systems and software sales team.

No technologist – "I'm personal computer literate – just," she says – Wyatt has deployed her management and organisational skills to good effect since joining Bull, then Honeywell Bull, in 1983.

Her sales triumphs include leading teams responsible for winning major central government orders for computer systems for the prison service and the Inland Revenue.

What does it take for success in these bids? Wyatt says: "The secret is to pick the right people with the right skills for the sales team – especially when there is little difference between manufacturers' hardware".

Most recently Wyatt has been director of customer care and communications at Bull UK.

In her new job she will be responsible for managing the resources to drive sales of open – or industry standard – systems in all the 100 or so countries where Bull is represented.

She will ensure the appropriate skills from whatever part of Bull's worldwide operations will be available to support sales bids – especially those aimed at medium sized projects.

It is a critically important task at Bull, still losing money heavily and seeking a new role in the world data processing business. "Tense" is how she describes the mood inside the company.

Her Paris location, however, will enable her to dust off and exploit an earlier skill. After leaving college, she worked as a bilingual secretary, with special fluency in French.

■ Duncan Cairns, 44, has been appointed chief executive of Herring Baker Harris group, the chartered surveyor and property adviser. Cairns had previously been managing director of the Bristol office of the company.

Gonszor leaves PhilDrew: Wade moves on at Barclays

Charles Gonszor has left PhilDrew Ventures to set up on his own. Gonszor joined PhilDrew Ventures in 1988, three years after the venture capital house was established by a team that left Prudential Ventures.

Robert Jenkins, one of the six remaining partners at PhilDrew Ventures, said Gonszor left at the start of the month after a series of differences of opinion about the way the partnership should be run.

Jenkins said none of the differences were about significant matters and there had been no differences of opinion with either Phillips and Drew Fund Management or UBS, the parent group.

PhilDrew Ventures has been one of the more successful venture capital groups. It has raised over £250m and says its return on investments is more than 40 per cent.

■ *Elizabeth Wade*, 36, has been appointed head of investor relations at Barclays. Wade was previously a director at the strategic planning department of BZW, the bank's investment banking arm.

Wade spent three years at Chase Manhattan and also worked for Fleming Investment Management, where she began her career as an analyst. She then joined BZW in 1988 as an analyst in the oil and gas sectors. There she set up BZW Equities' continental European oil and gas research, and became chairman of the London Oil Analysts' group in 1993.

■ Christopher Ham, formerly head of sales for NatWest's insurance services, has been appointed md of Norwich and Peterborough Financial Planning, part of NORWICH AND PETERBOROUGH BUILDING SOCIETY.

■ James Henderson, director of the investment management division of Henderson Financial Management, is appointed to the board of LOWLAND INVESTMENT COMPANY.

NON-EXECUTIVE APPOINTMENTS

■ Karl Daniels, retired chairman and chief executive of Noble Lowndes, at PROUDFOOT.

■ Barbara Thomas, formerly an executive director, at NEWS INTERNATIONAL.

■ Sir Neville Bowman-Shaw as chairman at FOREXIA (UK).

■ Richard Johnson, former senior partner of Burges Salmon, and Charles Skinner, editor of Management Today, at BRANDON HIRE.

■ James Summerlin has retired from PLYSU, but becomes honorary life president.

■ Tony Davies, former chairman and chief executive of Membrain and ITL, at CLAYHITHE.

■ David Bolton, a partner with Herbert Smith, at COSALT.

■ Bob Ellis at BROWN & JACKSON, having stepped down as finance director.

■ Michael Halsey, a former partner with Astaire & Co, as chairman at ANDAMAN RESOURCES; Hugh McCullough has resigned.

■ Raymond French at IFG GROUP.

COMPANY NEWS: UK

Lex Service blames exceptionals for drop

By Tim Burt

Lex Service, Britain's largest car distribution and leasing group, yesterday played down a 64 per cent decline in half-year pre-tax profits by claiming the results were distorted by hefty exceptional items last year and did not fairly reflect growing vehicle sales.

Pre-tax profits fell from £81.6m to £29.7m under FRS3, although total trading profits in the six months to June 26 rose from £25.1m to £28.2m on increased group turnover of £696.8m (£484m).

The company blamed the discrepancy on reduced profits from the disposal of shares in Arrow Electronics, which it received in September 1991 as part payment for its North American electronic components distribution businesses. Shares sold in January generated profits of £7.7m, compared with £60.1m last time. After stripping out the exceptionals, pre-tax profits rose 18 per cent to £22m (£18.6m).

Operating profits, which exclude contributions from associated undertakings, increased to £10.8m (£6.4m).

Although Sir Trevor Chinn, chairman and chief executive, said the underlying performance was encouraging, the shares fell 30p to 447p after he warned that retail demand had weakened in the second quarter and the group had lost £800,000 on its Hyundai Car imports business.

"We should have done a bit better in the retail group and not lost money on Hyundai," he said. "Our margins were hit by slowing demand and the drive by manufacturers for increased volume."

He blamed the second-quarter downturn on reticence among fleet purchasers and private customers ahead of the August new car registration, which last year accounted for 24.8 per cent of annual sales.

The deficit at Hyundai was caused by high marketing and promotion costs. Nevertheless, trading profits in the group's core car and truck retailing division rose from £8.3m to £12.1m; while profits on its associated vehicle contract hire business increased 70 per cent to £12.1m (£7.1m).

Sir Trevor said the downward trend in trading margins on cars had been partly offset by improved truck sales, while the fork lift truck and servicing businesses were making "good progress".

Pre-exceptional earnings per share came out at 15.5p (12.5p), although they fell from 74.8p to 20.8p under FRS3.

An interim dividend of 5.6p (4.7p) is declared, but the group warned there was unlikely to be a similar increase at the year end.

● **COMMENT**

At the pre-tax level, Lex appears to have been involved in a serious pile-up. But the distorting effect of exceptionals disguises generally favourable market conditions. Demand may have slowed but the trend remains firmly upward, and the group should benefit significantly from the August car rush. However, Sir Trevor's caution persuaded analysts to leave full-year pre-tax profit forecasts unchanged at about £55m. With plenty of room for volume growth, the shares – on a forward multiple of 11.7 – remain a cheap option.

Fairline boarded by South Africans

By Caroline Southey

The Newington family has relinquished majority control of Fairline Boats, the Peterborough-based luxury powerboat maker which has enjoyed a resurgence in demand and profits over the last 12 months.

It has sold a 29.9 per cent stake to Renwick Group, a Devon-based maker of yachts and motor cruisers owned by Kangra Holdings, a South African group.

Renwick paid 350p a share for 1m shares against an unchanged closing price of 400p.

The Newington family will retain a 24.74 per cent stake.

Mr Sam Newington, chairman, said the intention of the sale was to "free up the family holding." Fairline would "continue to operate independently under its existing management" and Renwick had not sought representation on the board, he said.

The agreement states that no Newington family member can sell shares for 6 months.

Mr Newington said there were no rationalisation plans and the dividend policy remains unchanged.

Red faces as Wall Street Journal foreshadows £24.5m bid for Castle

By David Wighton

Castle Communications, the USM-quoted record and video publisher, yesterday announced an agreed £24.5m bid from Alliance Entertainment of the US hours after the details appeared in the European edition of the Wall Street Journal.

The 360p a share cash offer has been accepted by directors and other investors accounting for 52.8 per cent of Castle's share capital. To the embarrassment of both companies, an interview with Mr Joseph Bianco, Alliance's chairman, giving the price of the offer appeared in the European Wall Street Journal.

"We didn't know the Wall Street Journal was going to put it in the European edition, which came out before we could make the formal announcement," said Mr Bianco.

Castle and its advisers discussed the problem with the Stock Exchange before the market opened and requested that trading in the shares be suspended until the full announcement was posted.

After consulting the Takeover Panel, the Stock Exchange decided against a suspension and asked Alliance to put out a brief holding statement which did not include the price. This appeared on the screens at 9.40am, at which point the shares were still unchanged at 340p. They had risen to 355p by the time the full announcement was made at 2.28pm.

Alliance, which is the largest independent distributor of recorded music in the US, has been looking to buy music copyrights and was attracted by Castle's catalogue of rights to 1960s and 1970s groups such as the Kinks.

"Castle also has a bunch of the best people in the business of exploiting those copyrights," said Mr Bianco.

Mr Terry Shand, Castle chairman, said: "This is a unique opportunity for Castle to further develop its international business, to continue to expand its catalogue of rights and to take advantage of Alliance's considerable distribution network."

Castle shares jumped 58p to 335p two weeks ago when it announced it was in talks that might lead to an offer. The company was floated at 200p in 1987.

IMC diversifies into food

By David Wighton

IMC Industries, the soft drinks and video tapes group, is transforming itself into a food manufacturer with the £11.5m acquisition of Red Mill Snack Foods. Following the deal, which will involve a trebling of IMC's share capital, it is proposing to change its name to Continental Foods.

With operations in Wednesbury, near Birmingham and Waspik in the Netherlands, Red Mill makes a range of maize and potato-based snacks. In the year to March 1994 it made an operating profit before non-recurring items of £1.5m on turnover of £21m.

Portfolio Foods, Red Mill's parent, will receive £2.25m in cash and 462.5m new IMC shares, of which 372m have been placed with institutions and other investors subject to a 10-for-7 open offer at 2p. Trading in the shares has been suspended at 2½p.

IMC also announced its figures for the year to April which showed slightly lower pre-tax profits of £364,000 (£377,000) on turnover of £6.2m (£6.1m).

Signet pressed for EGM

By Tim Burt

A group of disaffected shareholders at Signet, the jewellery group known formerly as Ratners, yesterday said they would press ahead with plans to force the company into a capital reconstruction.

The Delta Dividend Group, based in San Francisco, said it was intending to requisition an extraordinary meeting to consider a wide-ranging overhaul of the share capital.

Mr David Gale, president of the group, said the US investors – holding variable term preference shares worth an estimated $29m (£18.7m) – would stop their action only if the company issued a statement setting out proposals for restructuring and repaying dividend arrears.

Preference dividends have not been paid since early 1992, and arrears in the 12 months to January 29 this year stood at £58m (£30.3m).

Signet said it was preparing an imminent response to the issues raised by the US shareholders.

Improved volumes for BAT's tobacco side

By Neil Buckley

BAT Industries strongly defended prospects for its tobacco business yesterday, and reported improved volumes and profits in the US in spite of the political backlash against smoking.

BAT said Brown & Williamson, the third largest cigarette company in the US, increased market share in the first half of 1994 from 10.3 per cent to 11.3 per cent, largely recovering the share it lost last year when Philip Morris cut the price of Marlboro cigarettes.

B&W increased domestic volumes by 20 per cent following a shake-up of its sales force, and export volumes by more than 10 per cent. Operating profits increased 76 per cent to £217m, benefiting from price increases in value-for-money brands which account for 60 per cent of its US business.

BAT's performance outside the US was also strong. British-American Tobacco lifted trading profits 9 per cent, in spite of difficult conditions in some markets. Sales and profits in all operating divisions were up, with particularly strong performances in Chile, Argentina, Singapore, Indonesia and Australia.

However, trading profits were down at BAT Cigarettenfabriken, the German business, because of a provision for relocation of a research facility. German sales improved, although total exports fell in spite of a big increase in exports to eastern Europe.

A problem area was the Souza Cruz business in Brazil, where £80m profits last year were wiped out by weak economic conditions which led to downtrading and increased cross-border imports. BAT said action by the Brazilian government to stabilise the economy was likely to lead to improvement next year.

Imperial Tobacco in Canada increased volumes and profits, benefiting from the elimination of border trade after domestic tax reductions.

TI to get more from Snecma joint venture

By Tim Burt

TI Group, the specialist engineer, yesterday said it would retain a greater share of profits than previously anticipated from Messier-Dowty, its newly-formed landing gear joint venture with Snecma, the French state-owned aero-engine manufacturer.

Negotiators extracted improved terms from Snecma after revised profit forecasts for the joint venture company suggested there would be a lower than expected contribution from Messier's spare parts business.

Under the original deal the two companies agreed TI would receive an additional £11m of any profits generated by Messier-Dowty in its first three years.

The agreement was drawn up to reflect a £30m differential between the value of Dowty Landing Gear, which TI acquired two years ago, and Messier-Bugatti Landing Gear.

However, the lower contribution expected from Messier meant the differential has widened since the deal was first announced last summer.

A completion agreement signed yesterday by the two sides showed that the £11m limit on TI's additional share of the profits had been lifted, and the group would instead receive 90 per cent of the joint venture's profits in 1995, 80 per cent in 1996 and 62.5 per cent in 1997.

Thereafter, profits will be shared on a 50-50 basis.

"TI should receive a somewhat higher return from the joint venture during the first three years than it would have received from Dowty Landing Gear as a stand alone business," said Mr Tony Edwards, chief executive of Dowty Aerospace.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
BAT Inds	int	8.5	Jan 3	7.9	-	20.1
Dyson (J&J)	fin	2	Oct 3	3	3.5	5
Lex Service	int	5.3	Sept 9	4.7	-	12.5
Lloyds Abbey	int	6.3	Oct 7	6.3	-	18
Menvier-Swain §	fin	2.3	Oct 3	2.567*	4.2	3.67*
Millgate	int	0.5	Sept 2	-	-	-
Mitie	fin	2.5	Oct 1	2	4.5	3.5
Murray Split	int	2.65‡	Oct 3	2.65	-	10.3
Reuters	int	1.9	Sept 12	1.55	-	6.5
Rubicon	fin	2.8	Nov 3	2.5	4.3	4
Spargo Consult	int	1.6	Sept 16	-	-	-

Dividends shown pence per share net. *Equivalent after allowing for scrip issue. §USM stock. ‡Third quarter

All-round growth lifts Menvier-Swain 23%

By Andrew Bolger

Growing recovery in the UK helped Menvier-Swain Gronp, the emergency lighting and alarms manufacturer, increase pre-tax profits by 23 per cent from £7.62m to £9.36m during the year to April 30. Sales rose 24 per cent to £70.3m.

Tbe Oxfordsbire-based group, which came to the USM in 1986, said it would move to a full listing as soon as possible. The sbares closed 13p higher at 237p.

Mr Roy McDowell, chairman, said: "This has been a year of steady progress in all areas in which the group operates. The improvement in the UK market has continued with sales levels moving ahead strongly."

Having made five acquisitions in the previous year, the group had deliberately concentrated on the integration of previous purchases and internal investmeot. The board and senior management had also been strengthened.

Mr Roger Fletcher, chief executive, said capital expenditure of £6m was unusually high, which would be reflected in future profits and sales.

The group spent more than £2m on a new lighting factory in France, to be occupied next month, and £500,000 on production equipment for a new emergency lighting product, Britelite, which would be sold throughout Europe.

More than half of sales are overseas, and the strong performance in the UK was partly offset by problems in continental Europe. A recent German acquisltion recsived faulty products from a third party and the French lighting market continued to suffer from margin pressure. Howevsr, businesses in the Netherlands and Dsnmark continued to improve.

Mr Fletcher said: "Acquisitions are now on the cards again – particularly in security and fire alarms."

Mr McDowell will step down as non-executive chairman in September. He will be replaced by Mr Tony McCann, chief executive of Bricom, the airport servicing and parcel delivery company, who joined the board in January as a non-executive director along with Mr Peter Pollock, former chief executive of ML Holdings.

Mr McDowell said: "The financial year has started well with sales and profits in the first two months significantly ahead of last year. Improving market conditions, management changes and investment in new products and plant are all expected to oontribute to another year of solid growth."

Earnings per share increased by 14 per cent to 13.94p (11.37p). A recommended final dividend of 2.9p makes a total of 4.2p (3.67p).

Restructured Rubicon up 84%

Rnblcon Gronp, wbicb in a series of acquisitions and sales has been transformed from a sbop equipment business into a precision engineering group, yesterday reported an 84 per cent advance in pre-tax profits for the year to May 31.

The increase, from £1.22m to £2.25m, was achieved on turnover almost trebled from £18.1m to £50m. Earnings per share came ont at 9.1p (7.5p) and a recommended final dividend of 2.8p makes a total for the year of 4.6p (4p).

The improvement was principally the resuit of a strong contribution from High Speed Production, s manufacturer of precision components and assemblies for the electronics industry, acquired for £9m in July last year.

At the year end the shop equipment businesses were sold. These operations had been suffering from weak demand, directors said, and bad incurred an operating loss of £160,000 (£1.17m profit) on turnover of £20.4m (£18.1m).

At the same time the company had acquired Beeley Wood, a manufacturer of precision metal components and assemblies, for £4.8m.

Mitie ahead 40% despite 'fierce environment'

By Reg Vaughan

Mitie Group, the Greenock-based building maintenance company, lifted pre-tax profits by 40 per cent from £2.4m to £3.36m in the year ended March 31 on the back of a 39 per cent jump in turnover to £101.7m.

The shares closed 10p higher at 338p.

Mr David Telling, chairman, said that the outcome was achieved against a background of a "fiercely competitive environment".

However, Mr Telling saw an improvement in the market place and so far, results for the current year were ahead of last time.

Shareholders receive a 29 per cent expansion in dividends, via a recommended final of 2.5p which raises the total from 3.5p to 4.5p, matching an increase in earnings per ahare from 13.3p to 17.1p.

The dividend is covered 3.6 times by earnings.

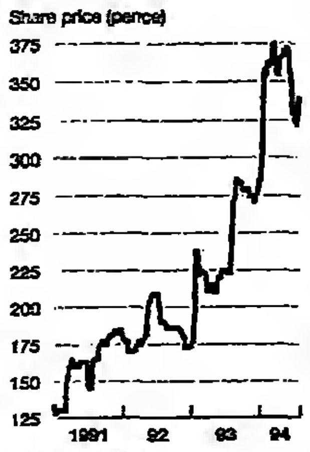
A 2-for-1 aubdivision of shares ls also proposed.

Mr Telling said yesterday that indigenous sales growtb represented some £24m, of 30 per cent of the total.

He said he looked forward to an increase in margins fuelled by the bottom pressure of a sbortage of skilled labour which would lead to increased prices.

Mitie Group

Share price (pence)



Source: FT Graphite

Margins were 40 to 50 per cent below what they were 5 years ago, but despite a substantial increase in turnover and acquisitions the company remained ungeared.

The company also announced the acquisition, by its Mitie Engineering Services subsidiary, of the shares not already owned in Mitie Engineering Services (South East) for £1.69m.

Pre-tax profits of the offshoot were £599,151 during the 1993-94 year.

On completion of the deal Mitie will be able to consolidate an additional 45 per cent of the profits.

Verson plans US float to reduce borrowings

By Paul Cheeseright, Midlands Correspondent

Verson International, tbe capital equipment manufacturer, plans to float its US operations on Nasdaq in order to reduce its gearing of 440 per cent.

Tbe company made the announcement as it disclosed its fourtb successive annual pre-tax loss and promised markedly higher sales in the year to end-January 1996.

The deficit for the year to January 31 1994 was £8.19m, down from £10.1m last time, on turnover ahead to £99.3m (£82.4m).

There was a £3.26m operating loss against s profit of £1.19m. Losses per share were 5.5p (7.12p).

Borrowing, in spite of a formal debt reduction programme started in 1992, has been constant for the last two years at about £54m. Shareholders' funds at the end of the last financial year were £12.2m.

"We were enjoying the support of our bankers before we started talking to them about this approach [the flotation]," said Mr Tim Kelleher, chairman.

"They didn't pressure us but they were pleased wben we came forward with the plan," he added.

Verson expects to place 50 per cent of the enlarged equity of its US holding company sometime in the next 12 to 24 months, depending on the state of the market and its own order book.

Mr Philip Shepheard, an analyst at James Capel, Verson's broker, calculated the value of tha US operations at $90m (£58.8m). Looking at likely future movements in shareholders' funds, he estimated that gearing could come down to about 70 per cent after the flotation.

Financial difficulties hit Verson when demand dropped sharply after the Gulf war in 1990. However, it said that, at £58.8m, ths size of its order book now is 95 per cent larger than tbis time last year, all group subsidiarias would improve profitability this year and there should be a marked increase in shipments during the 1995-96 year.

The shares responded with a rise of 2½p to 20p.

Risk management problems increase Shield losses

By Nigel Clark

Problems with its risk management business and a short-lived diversification into computer hardware left Shield Group with increased pre-tax losses of £1.24m for the year to end-March, against £425,000.

Mr Norman Mazure, chairman, said that conflicting market signals had adversely affected the risk management business of Stickley Kent, its auctioneer and property insolvency offshoot.

In addition, the personal computer market, whicb it entered in December last year through the purchase of Kamco Computers, experienced considerable commercial pressures. As a result "margins were heavily reduced and sales fell," be said.

The hardware activity is to sold and full provisions have been made in the accounts for the year.

A software operation, set up at the time of the Kamco purchase, also incurred losses. Spending on this has been curbed and the future of the business was under review.

On prospects, Mr Mazure said that the company had returned to property dealing and development and these had realised small profits since the end of the year.

Group turnover rose from £2.07m to £3.44m; operating losses widened from £425,000 to £988,000.

There were £250,000 of provisions this time. Losses per share came out much higher at 18.8p against 3.7p.

Revamped Harmony Property cuts deficit to £455,000

Harmony Property cut pre-tax losses from £2.13m to £455,000 in the 52 weeks to March 27.

Turnover rose 66 per cent from £5.69m to £9.47m, of which £5.18m was from acquisitions.

During the year, the USM-quoted property and hotel gronp bought a portfolio of properties from British Land for £5.35m, financed by the issue of 66m sbares. This, added to purchases made the previous year, gives the company a £7.5m asset base generating rental income of £750,000 a year.

In January, Harmony sold six public houses for £300,000 to Leisuretime Inns, satisfied by the issue of 3m shares and resulting in an 15 per cent stake in the unquoted pubs group. Harmony plans to sell the remaining six freehold and one leasehold pubs.

"I think we can look back with satisfaction on the progress made during the year," said Mr John Main, chairman.

Since the year-end, Harmony, whicb has applied to join the main market, has bought a portfolio of properties for about £7m from Mr Bruce Owen, who became an executive director in May. It has also a conditional agreement to buy a further portfolio from Mr Owen for £2.45m, which will be financed though a mixture of cash and shares.

A planned capital reorganisation would allow dividends to be paid in future.

Losses per share were 0.46p (5.87p).

NEWS DIGEST

Specialeyes cuts loss to £187,000

Specialeyes, the USM-traded optical retailer, reported a reduced first half deficit as sales were maintained despite a highly competitive market.

Pre-tax losses emerged at £187,000 in the 24 weeks to May 14, down from £333,000 last time. Sales totalled £9.5m.

Mr Jim Power, chairman, attributed the improved gross margin to "better buying" while pressure on costs was maintained. Trading in the early weeks of the second half, however, remained "difficult and uncertain".

Sales of contact lens solutions had come under pressure following the Monopolies and Mergers Commission's decision to widen the availability of such products. Mr Power said tbe group was attempting to counter the problem by promoting a new scheme to build customer loyalty and repeat business.

Losses per share were 1.22p (2.18p).

Millgate declines to £303,000

Millgate announced a fall in pre-tax profits from £455,000 to £303,000 on turnover down 22 per cent for the six months to the end of May.

The company, whicb distributes anti-theft devices for cars, saw sales cut from £2.97m to £2.3m after supplies from Italy were disrupted. Mr Paul Layzell, chairman, said he did not anticipate further difficulties now the Italian group had completed its factory move and new product launch.

Earnings per share dropped from 1.59p to 1.08p.

An interim dividend of 0.5p (nil) is declared.

Intercare warns of second half decline

Intercars Group, tbe USM-quoted healthcare company, warned yesterday tbat pre-tax profits for the second half of the year to October 31 were likely to be marginally less than the £1.34m reported in first six months, in turn down 20 per cent on the comparable period.

The company said that trading conditions in the Netherlands continued to be difficult.

It added that start up ventures in the medical products division continued to trade behind budget and were expected to incur development costs of about £200,000 this year.

The shares fell 2p to 53p.

Net asset value falls 3% at Murray Split

Net asset value at Murray Split Capital Trust fell 3 per cent from £24.1m to £23.4m in the 9 months to May 31.

Net revenue ross from £615,000 to £655,000, equal to earnings per share of 8.19p (7.69p).

An unchanged third-quarter dividend of 2.65p is declared, and the trust said it intended to maintain the total at 10.6p.

Card Clear seeks £800,000

Card Clear, s fraud protection company, is to raise about £800,000 through a placing and 1-for-5 open offer at 36p a share. The company's shares are dealt on a matched bargain basis. Any shares not subscribed will be placed by Ellis and Partners.

Fleming Emerging lifts net assets 27%

Despite difficult conditions in its second half, Fleming Emerging Markets Investment Trust lifted net asset value by 27 per cent, from 137.6p to 175.4p per sbare, during the year to June 30.

Fully diluted, the rise was 24 per cent, from 131.3p to 162.8p per ahare.

In spite of sharply increased gross revenue, higher management charges and interest payable led to a net daficit of £562,000 (profit of £216,000). Losses per share were 0.58p (earnings of 0.34p).

Spargo Consulting beats float forecast

Spargo Consulting, the computer servicea company, reported pre-tax profits ahead from £272,000 to £606,000 in the six months to June 30. This compares with tha £600,000 forecast at the time of the listing in June.

Turnover increased from £2.31m to £2.85m. Earnings per share came out at 3.2p (1.52p) and as forecast at the time of the flotation an interim dividend of 1.6p is being paid.

Panther agrees offer for Etonbrook

Panthsr, the investment and property dealer, has agreed the terms of an offer to acquire the shares of Etonbrook it does not already own.

Panther currently owns 54.04 per cent of Etonbrook, a property developer and dealer. The offer will involve the issue of 1.76m Panther shares and 352,074 offer warrants.

The offer of five Panther shares and one offer warrant for every five Etonbrook shares, has been made to eliminate any conflict of interest for Etonbrook directors Mr Andrew Perloff, Mr Malcolm Bloch and Mr Peter Rowson, who are all executive directors of Panther.

Panther's net assets stood at £13.9m at December 31, and Etonbrook's at £4.49m.

Standard Platforms turns in reduced loss

Standard Platforms Holdings, tbe USM-quoted supplier of bardware and software to the document image processing and archival storage market, reported a reduced pre-tax loss of £35,640 for the six months to end-March, against £382,695.

The outcome was struck on turnover down from £865,617 to £749,985, although last year's figure included £76,475 from discontinued oparations. Losses per share emerged at 0.9p (9.6p).

Standard auffered from the effects of its ill-starred expansion in the US and was able to continue trading only with the support of its bankers.

It had hoped to sell to US hospitals and clinics an off-the-sbelf version of its optical document retrieval system. However, the expected sales never materialised, losses mounted, and the subsidiary was sold.

Its shares were suspended last March at 36p pending publication of its accounts. They resumed trading at 18p in May when the company announced a £450,000 rigbts issue, loan stock conversion, a capital reduction, a sbare option scheme and board changes.

The shares closed unchanged yesterday at 12p.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COMMODITIES AND AGRICULTURE

Coffee frost damage put at 40%

By Richard Mooney

Coffee futures continued Tuesday's rally in London and New York yesterday after Brazil issued a frost damage estimate that was higher than most analysts were expecting.

The London Commodity Exchange September delivery position jumped $177 to open trading at $3,650 a tonne in response to the overnight release of the Brazilian industry and commerce ministry's estimate of 15.7m bags (60kg each) for the country's 1995-96 coffee crop. That was about 11m bags down on the 26.5m bags tentatively forecast before frosts struck on June 27 and July 11, driving the September position to an 8½-year high of $4,085 a tonne.

Yesterday's opening surge was quickly trimmed back, but the price still ended the day with a net $67 addition to Monday's $90 rise. At New York's Coffee, Sugar and Cocoa Exchange, meanwhile, the December future's price reached a peak of 220.5 cents a pound before easing to close at 214 cents, up 2.85.

Tuesday night's announcement in Brasilia by trade policy secretary Mr Frederico Robalinho had been anxiously awaited by traders who were beginning to have second thoughts about the wisdom of the 81 per cent post-frost price surge. Early ideas that the 1995-96 crop, which was in the flowering stage when the frosts struck and therefore vulnerable to damage, might now turn out below 15m bags had generally been abandoned. And as most analysts damage forecasts settled into a 6m- to 9m-bag range the September price at the LCE sagged to $3,662 a tonne at one stage on Monday. The market was particularly vulnerable to selling as the record-breaking, $800-plus opening jump on July 11 had left a yawning gap in the price charts within which little technically-motivated support could be expected.

Mr Robalinho's statement, while not inspiring any great volume of buying, relieved brokers fears that they might have to repeat the hectic scramble of two weeks ago, but this time as sellers instead of buyers.

"We are looking at optimistically 16m bags," the Reuters news agency quoted the minister as saying, "but I would say that based on technician reports it would be 15m bags. . . The situation is really dramatic. We had a loss of approximately 11m bags."

Mr Robalinho made his estimate following a meeting of representatives from the agriculture ministry, the economy ministry, agricultural experts from nine states, climatologists and government coffee experts to weigh the effects of the two frosts. "These numbers are preliminary," he said, "but. . . they will only change a little."

High prices bring no joy in Mexico

Ted Bardacke on problems faced by the fourth largest producer

Mexico, the world's fourth largest coffee producer, is unlikely to benefit from the recent price surge because of falling production and the government's decision not to join the Latin America-wide export retention programme instituted last year.

Instead, the small farmers who make up the bulk of the country's producers are lamenting the price rise, saying the survival strategy they patched together after the government abandoned the sector five years ago has suddenly been undermined.

Meanwhile, coffee processors, now forced by declining production to consider importing raw beans, have also seen balance sheets thrown into disarray by the price mayhem. "No one here is interested in these prices," says Mr Luis Hernandez, a consultant to the National Co-ordinating Committee of Coffee Producers Organisations (CNOC). "There will be no bonanza. For the moment, it is going to make our lives more difficult."

Growers will be unable to take immediate advantage of the high prices because they sold their entire crop by the end of March, two months before prices started their latest climb. Stored reserves have been completely depleted during five straight years of declining production. Since 1989 Mexican coffee output has fallen by 35 per cent to 5.3m bags (60kg each) this year. The price collapse that began after the International Coffee Organisation abandoned price support efforts in 1989 means that growers incomes have fallen by 65 per cent over the same period, according to the CNOC.

Tha declina in production cannot be completely explained by the dramatic fall in earnings. Compounding the problem was the government's 1989 decision – as part of its sweeping reduction in participation in the economy – to abolish Imecafe, which served the triple role of credit provider, buyer and wholesale marketer.

The same free market logic led agriculture officials to refuse to join the retention programme set up last year, which is reaping big dividends for those countries which did participate and so have extra coffee to sell at today's dramatically improved prices.

The armed uprising in the southern state of Chiapas, the country's largest coffee producing state, forced the government to offer a one-off handout of US$210 a hectare to coffee growers throughout the country. But that is unlikely to stimulate much new production. "I'm going to use this money to buy corn for my family, not fertiliser for my orchard. I've got no other choice, life is hard," confessed Mr Neojito Morales, a grower in the central state of San Luis Potosi, upon learning that a government check was coming his way.

The abrupt disappearance of Imecafe also forced growers to explore new marketing avenues for their harvests. A variety of new associations sprang up that eliminated some of the middlemen who preyed on the industry. But according to Mr Hernandez, these associations will have a tough job surviving the price rise because more credit will be needed next year to collect harvested coffee in volumes sufficiently large enough to be commercially viable.

"Credit is scarce and expensive, so we are going to see a resurgence of the middle-man, who of course will not offer the full market price, but will be able to give growers more cash up front," Mr Hernandez says.

In addition, some Mexican growers have been successful in selling their crops in the organic and gourmet niche markets; but the price differential between those niches and the standard coffee is rapidly being wiped out by the general price increase.

Lack of reserves and the disappearance of traditional sourcing options is forcing processors to consider importing raw coffee for the first time in living memory, according to the National Association of Coffee Industry. Association members are under tremendous pressure to compete with instant coffee imports, volumes of which have increased dramatically since the North American Free Trade Agreement came into effect.

Yet what seemed like a viable option a couple of months ago has suddenly become very expensive. Passing the price increase on to consumers is a possibility, but a dangerous one, given Mexico's weak level of coffee consumption, less than 1kg a year per head, the lowest among the world's major producing nations.

Ecuador on course for banana sales record

By Raymond Colitt in Quito

As Latin American banana producers are making renewed efforts to forge a united front in the face of European Union import quotas, Ecuador, the world's leading exporter, is heading for record sales this year.

The latest figures come only a week after the region's banana producers met in San Jose, Costa Rica, to consider a possible cut in production to revive depressed prices.

First half exports reached 1.6m tonnes, up 20 per cent from the same period last year, and state officials expect this year's total to surpass the 1991 record of 2.6m tonnes.

Despite a drop in banana prices on the world markets because of oversupply, total revenues are also running ahead of last year's, reaching US$380m in the first half.

Ecuador's higher foreign sales, which supply 26 per cent of the world market, are not due to increased production. The government has been pursuing a policy aimed at cutting output. Since the beginning of the year 11,000 hectares of inefficient plantations have been destroyed, most of them infected with the costly Black Sigatoka disease.

Leading banana exporters say that a further 20,000 to 25,000 hectares of inefficient plantations need to be eliminated to boost the country's low productivity level. Ecuador produces only half as many bananas a hectare as its Central American competitors, but can compete because of lower overall costs.

Industry analysts say that Ecuador's export bonanza results largely from aggressive marketing. While other Latin American exporters have lost ground, it has opened new markets in the Far East, eastern Europe and the former Soviet Union and has maintained its sales to the EC.

CIS copper heads for West

By Kenneth Gooding, Mining Correspondent

About 60,000 tonnes of copper has built up in stocks in the Commonwealth of Independent States and is now available for export to the west, analysts suggest.

However, they say the market should absorb the extra copper relatively easily. Also, as western merchants have been competitively bidding for the metal for some weeks, the present price is probably taking account of the CIS stock overhang.

"Remember the western copper market was in deficit by 200,000 to 250,000 tonnes in the first half of this year. So we should not get too carried away with the bearishness of this issue," says Mr Peter Hollands of the London-based Bloomsbury Minerals Economics consultancy organisation.

A late spring, transport difficulties, and bureaucratic delays in export licensing all contributed to the CIS stock build-up. Mr Hollands suggests that 10,000 to 25,000 tonnes from CIS stock will arrive in the west in August and the monthly total will then settle at about 25,000 to 30,000 tonnes for the rest of 1994. This compares with 15,000 tonnes a month in the first half.

Mr Hollands says that the impact on the copper price will depend on how sales of the CIS metal are handled. "I think that it will be done carefully and will simply slow the rate at which prices rise, or cause them to stabilise for some months. But if too much copper comes too quickly, it could have a severe impact for a month or two."

Mr Nick Moore, analyst at Ord Minnett, points out that falls in London Metal Exchange copper stocks have slowed markedly and "if they start to rise again [because of the CIS shipments] the hot money backing copper will start to look for another home."

He suggests: "People are begining to recognise that copper's charmed days are nearing their end." The market will have to cope with a steady and substantial rise in supply until the year 2,000. Demand would have to grow by 5 per cent o year to balance the market whereas a 2.5 per cent growth was more realistic. Mr Moore is forecasting that copper's price will average 95 cents a pound ($2,094 a tonne) this year and 92 cents ($2,028) in 1995. That price would not not be low enough to deter planned increases in capacity.

Selling by US funds drove copper for delivery in three months on the LME down another $86 a tonne yesterday to $2,408.50 ($1.09 a pound) by the close.

Indian set for bumper tea crop

By Kunal Bose in Calcutta

India, the world's biggest producer of tea, which harvested a record tea crop of 758.1m kg in 1993, is set for another bumper crop this year.

In the five months to May the country's production was up 12.8m kg to 194.6m. However, the gain in production was entirely on account of the gardens in south India, where output of 83.6m kg was up 16.8m on the corresponding period of last year. North Indian production fell by 4m kg to 111m.

"The quality of Indian tea has remained steady, except for what was produced in north India in the month of April. The quality suffered in April as the production rose to an all-time high of 60m kg," said Mr H.M. Parekh, chairman of J. Thomas, the world's biggest tea broking firm.

In spite of the early lead in production, industry officials think that the Indian tea output in the current year will be around last year's level. They say that the tea estates are "not going to repeat the mistake" of producing large quantities in November and December, as they did in 1993.

The extra production of 16m kg – much of it of inferior grades – in the last two months of 1993 was largely responsible for the sharp fall in tea prices. In the six months to June, the north Indian CTC (cut, tear and curl) leaf tea fetched an average auction price of Rs44.04 a kilogram, compared with Rs51.76 in the corresponding period of last year.

"This is a crisis year for the south Indian gardens, which in the first half could realise for orthodox leaf only Rs33 a kg, against Rs48, and for CTC leaf Rs29.13, against Rs44.55," said Mr Parekh. "At these prices the gardens are not able to provide adequate funds for fertiliser and pesticide."

In spite of Kenyan output falling 21m kg to 75.4m kg in the first five months the world crop, aided by a strong Indonesian recovery and higher output in India and Sri Lanka, was nearly 9m kg up on the same period last year.

Tea has been fetching lower prices at all auction centres. "However, south Indian teas suffered the sharpest erosion in value," said Mr Parekh.

Industry officials point out that, defying the general trend in prices at the auctions, Darjeeling tea (orthodox leaf) fetched a higher average price of Rs127.49 a kg in the first half of the current year, compared with Rs116.63 in the same period of 1993.

Similarly, "the really good liquoring CTC teas with coloury, full cups have been able to hold their ground. These, however, constitute less than 20 per cent of production in Assam," said Mr Parekh.

The setback in prices of orthodox tea has much to do with the lower enquiries from the former Soviet Union and Iran. As for CTC tea, for which the principal market is within the country, consumers "are ready to pay a premium for quality. The medium and plainer CTCs are, however, meeting with weak domestic enquiries," said Mr Parekh.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1413.5-14.5	1442-43
Previous	1470.5-71.5	1498-99
High/low		1477/1424
AM Official	1411-12	1440-40.5
Kerb close		1452-52.5
Open int.	279,604	
Total daily turnover	98,218	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1430-35	1450-55
Previous	1475-80	1498-500
High/low		1460/1435
AM Official	1435-40	1456-60
Kerb close		1455-60
Open int.	2,610	
Total daily turnover	903	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	568-69	585-86
Previous	576.5-77.5	593-94
High/low	569	596/580
AM Official	568.5-69.0	584-85
Kerb close		595-6
Open int.	41,438	
Total daily turnover	4,380	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6100-10	6190-200
Previous	6155-60	6245-60
High/low	6065	6240/6130
AM Official	6085-100	6190-95
Kerb close		6230-40
Open int.	55,992	
Total daily turnover	14,538	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5180-90	5255-60
Previous	5245-50	5315-25
High/low		5320/5240
AM Official	5195-205	5270-80
Kerb close		5260-70
Open int.	18,264	
Total daily turnover	2,890	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	926.5-27.5	950-51
Previous	963.5-64.5	988-89
High/low	948.5	982/948
AM Official	949-49.5	973.5-74.0
Kerb close		954-6
Open int.	101,228	
Total daily turnover	19,610	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2392-93	2409-8
Previous	2479-80	2494-95
High/low		2480/2389
AM Official	2402-4	2418-20
Kerb close		2427-8
Open int.	230,732	
Total daily turnover	99,719	

■ LME AM Official £/$ rate: 1.5297
LME Closing £/$ rate: 1.5297

Spot:1.5308 3 mths:1.5289 6 mths:1.5285 9 mths:1.5270

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jul	110.80	-0.20	110.90	108.40	628	443
Aug	110.70	-0.25	110.70	108.40	722	24
Sep	111.15	-0.20	112.60	108.30	29,877	9,657
Oct	111.00	-0.20	111.00	108.70	419	13
Nov	110.80	-0.20	-	-	235	10
Dec	110.65	-0.20	111.40	108.00	10,713	1,565
Total					48,597	12,139

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.20-386.60	
Opening	387.20-387.60	
Morning fix	387.00	
Afternoon fix	388.55	
Day's High	389.20-389.50	
Day's Low	386.40-387.40	
Previous close	386.10-386.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.02	6 months	4.50
2 months	4.06	12 months	4.89
3 months	4.16		

Silver Fix	p/troy oz.	US cts equiv.
Spot	347.65	532.25
3 months	352.85	538.25
6 months	356.80	545.30
1 year	368.75	562.10

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	257-260
Maple Leaf	399.10-401.60	
New Sovereign	91-94	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	387.0	+0.6	-	-	-	-
Aug	387.7	+0.6	389.5	386.6	35,769	35,726
Sep	389.3	+0.6	-	-	-	20
Oct	390.9	+0.6	392.8	390.0	7,441	1,020
Dec	394.1	+0.7	396.2	393.1	56,622	19,822
Feb	397.5	+0.7	398.6	398.8	18,600	320
Total					149,108	60,078

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	430.3	-0.2	434.0	427.2	22,757	4,353
Jan	433.5	-0.2	435.5	431.0	2,380	201
Apr	437.0	-0.2	436.0	436.0	1,800	1
Jul	441.0	-0.2	-	-	1	-
Oct	445.0	-0.2	-	-	1	-
Total					26,960	4,556

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	153.95	-	155.00	153.25	4,811	670
Dec	152.70	-	153.50	152.00	1,207	328
Mar	152.70	-	152.70	152.60	171	-
Total					6,189	998

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	535.5	+4.8	537.0	535.5	68	82
Aug	535.5	+4.7	-	-	-	-
Sep	537.2	+4.7	544.0	533.0	78,113	11,380
Dec	544.5	+4.7	551.0	541.0	24,197	1,421
Jan	546.1	+4.7	-	-	33	2
Mar	552.8	+4.7	557.0	553.0	6,868	26
Total					119,638	13,003

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	19.47	+0.26	19.65	19.19	102,043	49,147
Oct	19.10	+0.22	19.25	18.97	50,253	21,251
Nov	18.98	+0.20	19.05	18.94	30,064	17,256
Dec	18.87	+0.18	18.95	18.71	45,103	8,141
Jan	18.78	+0.17	18.78	18.78	21,033	3,420
Feb	18.72	+0.17	18.72	18.72	11,655	588
Total					391,628	104,071

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.83	+0.18	17.94	17.60	66,551	22,463
Oct	17.66	+0.12	17.70	17.51	27,083	10,000
Nov	17.64	+0.17	17.65	17.42	11,091	1,053
Dec	17.46	+0.06	17.52	17.40	15,567	642
Jan	17.40	+0.06	17.48	17.40	5,836	105
Feb	17.36	+0.06	17.40	17.36	2,781	-
Total					136,878	34,129

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	50.45	+0.46	50.90	50.14	14,125	8,507
Sep	50.80	+0.32	51.50	50.55	29,506	8,075
Oct	51.85	+0.45	52.35	51.60	12,804	1,913
Nov	52.85	+0.47	53.25	52.55	10,578	985
Dec	53.85	+0.52	54.25	53.60	21,463	1,875
Jan	54.45	+0.52	54.60	54.10	12,629	754
Total					125,328	23,946

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	154.25	+1.75	155.75	153.00	25,297	4,284
Sep	157.50	+1.50	158.75	156.50	18,864	2,845
Oct	161.00	+1.75	162.00	159.75	14,284	979
Nov	163.25	+1.50	164.50	162.00	10,274	630
Dec	165.25	+1.50	165.50	164.00	15,178	563
Jan	166.50	+1.50	166.75	165.25	8,675	568
Total					100,962	10,022

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.863	-0.005	1.870	1.848	25,958	7,410
Oct	1.935	-0.001	1.940	1.910	12,599	3,322
Nov	2.065	-0.001	2.065	2.055	8,525	818
Dec	2.203	-0.001	2.210	2.185	14,736	3,477
Jan	2.220	-0.002	2.230	2.210	9,908	1,435
Feb	2.150	+0.003	2.150	2.140	5,875	1,090
Total					113,254	23,086

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	57.86	+0.64	58.20	57.00	17,560	15,905
Sep	57.10	+0.88	57.50	56.30	38,381	14,795
Oct	54.80	+0.63	55.40	54.20	11,283	5,913
Nov	52.70	+0.58	53.30	52.70	9,223	909
Dec	57.60	+0.48	58.20	57.10	5,807	978
Jan	56.60	+0.36	56.90	56.60	2,376	83
Total					85,842	38,684

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	106.50	+1.15	106.50	106.50	371	65
Nov	107.45	+1.00	107.60	107.00	2,345	272
Jan	109.50	+1.00	109.75	109.10	1,467	181
Mar	111.15	+1.00	111.40	111.15	669	70
May	113.00	+1.05	113.10	113.00	744	113
Jul	115.00	+1.35	-	-	147	-
Total					5,743	701

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	332/0	-1/0	336/0	329/4	91,925	22,270
Dec	345/6	+0/2	349/4	343/4	158,335	41,840
Mar	351/4	-1/2	354/6	349/4	37,500	3,820
May	345/0	-2/4	348/0	343/0	1,890	50
Jul	328/4	+2/4	331/0	328/0	4,430	410
Dec	338/4	+2/4	-	-	10	-
Total					292,080	68,390

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	217/2	-1/8	220/4	217/0	236,840	49,035
Dec	219/2	-2/0	222/2	219/0	602,200	86,230
Mar	228/2	-1/8	231/0	228/0	118,010	8,870
May	234/6	-1/8	237/4	234/4	43,205	2,195
Jul	238/6	-1/8	241/2	238/6	42,265	5,320
Sep	241/4	-1/0	243/0	241/4	2,880	145
Total					1,072M	153,805

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.45	+1.05	104.45	104.00	102	29
Nov	105.85	+1.20	105.85	105.00	483	39
Jan	107.50	+0.75	107.60	107.00	33	9
Mar	108.86	+1.00	111.40	108.65	38	-
May	110.25	+1.00	113.00	110.25	1	-
Total					657	77

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	585/0	-4/2	592/6	582/4	88,755	49,495
Sep	570/8	-4/6	578/2	568/4	64,750	15,530
Nov	560/4	-6/0	569/0	558/4	337,490	136,880
Jan	568/4	-5/6	575/2	566/4	48,285	4,570
Mar	577/0	-4/4	584/0	575/4	18,475	4,800
May	582/0	-6/2	590/0	581/4	18,290	1,710
Total					617,489	216,590

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	23.93	-0.55	24.50	23.80	13,085	4,336
Sep	23.86	-0.58	24.45	23.79	31,208	5,625
Oct	23.47	-0.39	23.92	23.35	13,709	1,574
Dec	23.12	-0.37	23.58	22.98	37,973	7,395
Jan	23.09	-0.39	23.52	22.95	3,960	945
Mar	23.10	-0.38	23.50	23.00	4,020	982
Total					96,781	22,084

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	176.8	-0.1	177.7	176.4	17,278	5,387
Sep	176.0	-0.2	177.1	175.6	18,830	3,445
Oct	174.9	-0.3	176.3	174.0	10,255	2,213
Dec	175.2	-0.1	176.7	174.6	28,355	4,540
Jan	175.9	-0.1	177.2	175.7	3,794	652
Mar	177.8	+0.5	178.5	177.3	3,839	236
Total					84,492	16,732

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	+60.0	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	236.5	+5.0	238.0	235.0	1,214	95
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,214	95

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1442	-	-	-	512	-
Aug	1390	+10	1390	1385	806	49
Sep	1390	+5	1395	1390	286	39
Oct	1415	+3	1418	1415	531	53
Jan	1425	+1	1425	1425	261	9
Apr	1449	+11	-	-	102	-
Total					2,618	150

	Close	Prev
BFI	1442	1440

Cotton
Liverpool- Spot and shipment sales amounted to 75 tonnes for theweek ended 22 July, against 80 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the American range.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1062	+34	1078	1068	195	49
Sep	1092	+26	1093	1062	17,125	4,462
Dec	1105	+26	1105	1074	31,258	2,268
Mar	1124	+25	1124	1092	28,597	525
May	1133	+25	1133	1117	10,658	296
Jul	1141	+25	1141	1138	3,990	63
Total					106,730	7,815

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1458	+44	1466	1435	35,115	4,851
Dec	1500	+45	1508	1478	10,839	2,091
Mar	1537	+45	1540	1513	7,977	497
May	1555	+45	1555	1555	2,853	4
Jul	1575	+45	-	-	2,344	-
Sep	1595	+45	-	-	1,082	-
Total					74,112	7,453

■ COCOA (ICCO) (SDR's/tonne)

Jul 26	Price	Prev. day
Daily	1071.75	1068.71

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	3603	+32	3636	3480	311	39
Sep	3536	+63	3650	3455	19,195	3,241
Nov	3523	+55	3625	3445	8,233	2,196
Jan	3509	+48	3615	3470	9,409	520
Mar	3499	+69	3590	3450	3,536	332
May	3498	+75	3570	3498	869	30
Total					41,584	6,359

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	210.95	+2.85	219.00	205.25	18,780	7,379
Dec	214.45	+3.30	221.25	209.00	11,933	2,310
Mar	317.80	+2.50	224.00	213.00	5,178	487
May	219.30	+2.20	225.00	219.50	1,754	175
Jul	221.00	+2.30	227.70	221.75	331	1
Sep	222.75	+2.55	228.00	224.00	39	-
Total					39,843	10,357

■ COFFEE (ICO) (US cents/pound)

Jul 26	Price	Prev. day
Comp. daily	188.64	185.13
15 day average	185.64	194.30

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.06	+0.01	-	-	1400	-
Jan	11.82	-	-	-	-	-
Mar	11.82	-0.04	-	-	90	-
Total					1,490	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	315.20	-0.40	317.00	315.00	10,794	640
Dec	313.80	-0.80	315.00	313.80	1,036	35
Mar	312.60	-1.00	314.00	312.60	4,134	95
May	311.80	-1.00	-	-	395	-
Aug	311.50	-0.40	312.50	311.50	350	9
Oct	298.70	-0.10	300.00	298.70	176	3
Total					16,885	773

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.72	-	11.86	11.71	65,334	11,423
Mar	11.65	-	11.78	11.64	31,792	3,273
May	11.58	-	11.71	11.58	6,459	285
Jul	11.55	+0.04	11.64	11.54	2,731	79
Oct	11.42	-	11.47	11.42	1,172	16
Mar	11.35	-	11.35	11.35	166	3
Total					107,659	15,079

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	72.00	-	-	-	6,902	3,100
Oct	73.03	-0.42	74.20	73.00	28,609	13,679
Dec	72.72	-0.48	73.70	72.55	7,106	505
Mar	74.05	-0.45	74.99	73.95	4,215	216
May	74.75	-0.40	75.60	74.80	2,464	171
Jul	75.24	-0.56	75.25	75.50	382	10
Total					51,727	17,847

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	94.75	-0.60	95.40	93.80	14,078	456
Nov	98.10	-0.30	98.60	97.10	3,258	159
Jan	101.60	+0.05	102.00	101.10	3,804	158
Mar	104.70	-0.05	105.00	104.50	2,405	19
May	107.70	-0.05	107.25	107.25	723	5
Jul	108.70	-0.05	-	-	184	-
Total					24,862	815

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 27	Jul 26	month ago	year ago
2123.2	2135.0	2041.3	1636.6

■ CRB Futures (Base: 4/9/56=100)

Jul 26	Jul 25	month ago	year ago
232.52	232.76	230.40	218.76

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.425	+0.250	68.500	67.850	22,025	5,681
Oct	71.525	+0.275	71.575	70.850	25,030	3,258
Dec	71.000	+0.200	71.050	70.350	12,894	1,123
Feb	70.100	+0.125	70.200	69.650	9,909	829
Apr	71.250	+0.100	71.400	70.800	5,287	214
Jun	67.925	+0.025	68.000	67.800	1,233	39
Total					76,298	11,182

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	46.100	-0.275	46.175	45.775	7,944	2,068
Oct	41.625	-0.600	42.100	41.450	11,715	2,553
Dec	41.200	-0.250	41.250	40.900	4,691	505
Feb	40.600	-0.275	40.900	40.550	1,525	195
Apr	39.800	-0.275	40.050	39.550	917	107
Jun	44.425	-0.375	44.550	44.425	-	-
Total					27,358	5,465

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	29.075	-1.925	30.350	29.000	3,849	1,478
Feb	42.475	-0.675	42.800	42.150	4,244	1,277
Mar	42.650	-0.550	42.650	42.050	227	183
May	43.000	-0.800	43.800	43.000	40	2
Jul	43.800	-0.700	43.900	43.250	28	2
Aug	42.400	-1.400	42.400	41.800	-	-
Total					8,150	2,964

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1500	20	54	74	80
1525	12	54	93	105
1550	8	37	101	122
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2500	36	71	104	183
2550	22	55	140	188
2600	31	40	181	196
■ COFFEE LCE	Sep	Nov	Sep	Nov
3600	196	404	262	481
3650	179	387	293	514
3700	162	371	326	546
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	98	143	6	39
1050	59	112	17	57
1100	31	86	39	81
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	97	-	6	35
1750	57	76	24	56
1800	31	53	46	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

		+or-
Dubai	$16.65-6.72w	+0.340
Brent Blend (dated)	$17.74-7.76	+0.335
Brent Blend (Sep)	$17.91-7.93	+0.335
W.T.I. (1pm est)	$19.56-9.58w	+0.390

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$196-198	+3
Gas Oil	$152-153	+2
Heavy Fuel Oil	$98-100	
Naphtha	$165-168	
Jet fuel	$166-168	+2

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$386.40	+2.10
Silver (per troy oz)♣	536.50c	+4.00
Platinum (per troy oz.)	$427.50	+5.75
Palladium (per troy oz.)	$152.20	+1.20
Copper (US prod.)	116.0c	-3.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.59m	-0.01
Tin (New York)	244.50c	
Cattle (live weight)†©	115.84p	-4.27*
Sheep (live weight)†♠©	85.49p	-9.91*
Pigs (live weight)©	69.45p	-1.94*
Lon. day sugar (raw)	$298.8	-1.3
Lon. day sugar (wte)	$344.5	+1.5
Tate & Lyle export	£306.0	-1.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	96.00p	-1.00
Rubber (Oct)♥	95.00p	
Rubber KL RSS No1 Aug	360.5m	+4.0
Coconut Oil (Phil)§	$562.5z	-17.5
Palm Oil (Malay.)§	$540.0q	-5.0
Copra (Phil)§	$405	
Soyabeans (US)	£179.0z	
Cotton Outlook 'A' index	83.85c	-0.25
Wooltops (64s Super)	425p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

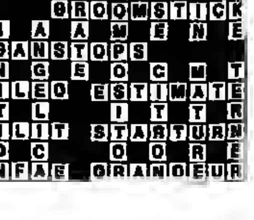
CROSSWORD

No.8,517 Set by DOGBERRY

ACROSS
1 Source of concertos and of ballets called round, burned out (11)
7 Brit with '60s hairdo looking back.... (3)
9 ....looking back at means of propulsion, keeping it in proportion (5)
10 Fruit man in blue to provide the van (9)
11 Game for minstrels, including unhealthy one (9)
12 Bloom's almost behind (5)
13 Abandoned coal mine in the temple (7)
15 And the rest come back dead (4)
18 Get the measure of dead animal (4)
20 Military vehicle causing disturbance after tea (7)
23 Emphasise not opening lock (5)
24 Bring out of retirement to control country (9)
26 Conditioned viol arrangement in slow dance (9)
27 Reverberant note back inside (5)
28 Put on foreign title (3)
29 Compiler's in flower, in arrangement with doing harm (11)

DOWN
1 Graduate climbing pole to 22 like o daring rider (8)
2 Animal bound to stake (8)
3 Skimpy garb of red-hot islanders (5)
4 Orifice reveals nothing about East German river (7)
5 Listen out on Underground for something useful (7)
6 Literary giant right to pierce senile aunt, perhaps (9)
7 Fairly fair (6)
8 Contemporary German river in middle of alphabet (6)
14 Keep hitting former boundary (9)
16 Last word during lift-off shows fibre (8)
17 Insubstantial present in overdue return (8)
19 8 in public transport raised by political thinker (7)
20 Wine and song engulfing one on island (7)
21 It's not clever to be constant in grip of rampant male (6)
22 Knight admitting vile distortion of scale (6)
25 Island's turned over to fur (5)

Solution 8,516



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate nerves return to jolt share prices

By Terry Byland, UK Stock Market Editor

Interest rate confidence was jolted in the Loodon stock market yesterday as City analysts took a closer look at the survey of industrial trends by the Confederation of British Industry and then et the sharp rise in US durable goods orders reported for last month. The FT-SE 3,100 mark was abandoned in late afternoon, in both the stock market and derivatives sector.

Sligbt dieeppointment over demand at the £2hn government bond euction checked attempts by shares to edge forward in early trading. The market turned off heavily when the dollar, Wall Street and the US bond market fell sharply towards the London close.

The FT-SE Index closed at the low of the day, with a loss of 34.9 points hringing it to 3,082.3. Volume, helped by trading statements from a number of leading UK companies, rallied from the subdued levels seen this week but was still modest by comparison with trading sessions of the past few months.

At yesterday morning's meetings at the leading securities bouses, strategists focused on disclosure in the CBI report that business optimism had fallen in July, while capacity utilisation rates – already ebove long-term averages – had risen further. "Inflation pressures in the manufacturing sector have picked up over the quarter," commanted UBS.

Nervousness that interest rate pressures could be increasing led to ooncern that the feared rise in domestic base rates might come sooner than markets bave hargained for. The pessimists pointed out that the Governor of tha Bank of England and the chancellor of the exchequer will meet today for policy discussions.

However, shares held up steadily for a while as satisfactory trading results from BAT Industries and BT bore out views that further rises in corporate earnings and dividends will protect the stock market from interest rate concerns, for some time at least.

Confidence was challenged, however, hy early weakness in sterling against the D-Mark, in the sterling trade-weighted index which fell to its lowest ievel for 18 months, and later by weakness in the gilt-edged market and the short sterling rate. But the Footsie 3,100 mark was held until developments in the US sent British government honds down sharply and upset investors across the range of UK securities.

Selling hit the stock index sector, where the September contract on the FT-SE Index saw its premlum egainst cash wiped out. A rally from the initial fall in the Dow Average, which cut lts loss to 18 points in UK trading hours, was no help to the London market.

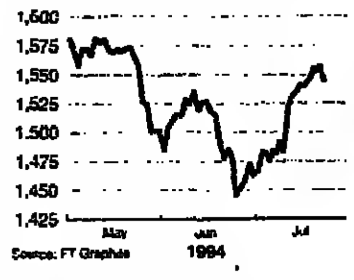
The FT-SE Mid 250 Index, less closely linked to futures trading, lost only 8.2 to 3,632.9, but appeared to be vulnerable should further selling develop in the market today.

Seaq volume of 599m shares compared with 551.7m on Tuesday, when retail business was worth only £979.7m, one of the few times this year that daily retail, or genuine customer, business has fallen below the £1bn mark.

The London market was caught between two fires. Retail and consumer stocks, closely tied to prospects for domestic interest rates, fell back, with Marks and Spencer, Great Universal Stores and Sears all weaker; similar factors upset bank stocks. But at the same time, US and dollar concerns hit the blue chip internetionals, hringing setbecks for Glaxo, Sbell, RTZ and many others.

Some investors feil back on the utility sectors as defensive areas in a nervous stock market. While the bearish school of analysts, headed by Mr Nick Knigbt of Nomura, returned to the market limelight, some others suggested that the weakness in equities might have been overdone in view of the generally favourable outlook for company profits.

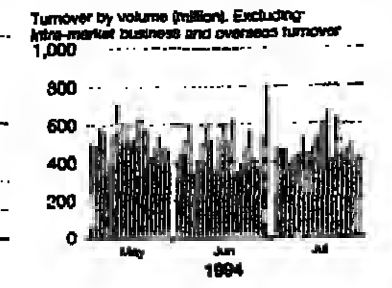
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3082.3	-34.9	FT Ordinary Index	2396.0	-24.6
FT-SE Mid 250	3632.9	-8.2	FT-SE-A Non Fins p/e	19.48	(19.63)
FT-SE-A 350	1556.8	-14.3	FT-SE 100 Fut Sep	3087.0	-47.0
FT-SE-A All-Share	1544.66	-13.19	10 yr Gilt yield	8.61	(8.37)
FT-SE-A All-Share yield	3.84	(3.81)	Long gilt/equity yld ratio:	2.27	(2.24)

Best performing sectors		Worst performing sectors	
1 Water	+1.3	1 Media	-2.0
2 Retailers, Food	+0.4	2 Insurance	-1.7
3 Health Care	+0.2	3 Tobacco	-1.7
4 Building & Constr	+0.0	4 Diversified Inds	-1.6
5 FT-SE SmallCap	-0.0	5 Life Assurance	-1.5

Move on Wm Low awaited

Bid fever was mounting in the food retail sector yesterday with strong hints that J Sainsbury, Britain's biggest supermarket group, would launch its much-vaunted hid for Scottish retailer William Low shortly, perhaps this morning. Low, which is already subject to e £154m agreed offer from Tesco, saw its shares surge as the speculation grew, ending the session 12 ahead et 280p on turnover of 3.1m.

The market was divided over Sainsbury's potential tactics, some epecialists predicting a blockbusting 300p-a-share offer to knock Tesco out of the frame. Others were suggesting a "no-lose" scenario for Sainsbury, whereby the group would make a spoiling bid above Tesco's 225p-a-share which would either force Tesco into a counter bid at e higher price, or deliver Low's at a reasonable one.

Sources close to Tesco said that the company would respond robustly to any Sainsbury offer and that e bidding war appeared inevitable. "Tesco do not like losing," said one well-placed source. The priza of William Low would give the winner critical mass in Scotland, where both are under-represented. Sainsbury shares traded erratically on the rumours, ending the day e penny down at 410p. Tesco added 3½ to 240p.

Waters wanted

Water stocks were a strong feature as investor confidence grew ahead of today's important reguletory review by Ofwat. Sector specialists said thet the value to be placed on the 'K' factor – the amount the water companies can increase their prices above inflation after 1995 – was expected to be around 1.3. The variance ebove or below this will determine how the market reacts – and whether the companies accept or reject the Ofwat recommendation. Rejection would mean an MMC inquiry. Ofwat will also recommend the capital expenditure for the next five years, with the market forecasting a figure of £16bn.

All the leading shares made strong ground as rumours abounded over the report, whicb landed on the oompanies' desks two days ago. Marketmakers were watching closely the tactics of those houses with water company brokerages amld reports of selected heavy buying. Northumbrian wes in particular demand, the shares surging 21 to 597p. Yorksbire was also wanted, adding 16 to 541p, Southern gained 20 to 555p and Anglian 11 to 525p.

Reuters slides

Renters Holdings fell sharply in afternoon trading as US investors took a dim view of the news and electronic information group's half-year results.

The £245m profit was in line with analysts' forecasts hut there was some concern over the operatlng margin. The company said investment in new acquisitions and new business investment programmes accounted for the slight margin decline and added that sales growth had slowed in May and June.

It appeared that Mr Peter Job, the traditionally downbeat chief executive, diseppointed US analysts and after the company conference the shares traded in the form of American Depositary Receipts fell sharply. They were down more than 5 per cent by the close of London trading and prompted the UK shares to fall 21 to 459p with very heavy turnover of 14m shares.

Pharmaceuticals stocks were affected hy comment in one US newspeper questioning their ability to maintain high dividend peyments. The article cited Marrion Merrell Dow and Glaxo, which fell 13 to 559p.

Wellcome dropped 6 to 634p, although there was some support from a study which showed that its anti-AIDS treetment AZT or Retrovr could cut transmission of HIV from mothers to babies significantly.

SmithKline Beecham held steady with a gain of 1¼ to 419½p in anticipation that the US Food and Drug administration would give approval for over-the-counter seiling of Tegamet, the company's anti-ulcer treatment.

Oil major BP, tbe leading Alaskan oil producer, held firm at 211½p on reports that the Clinton administratlon was making significant progress in drafting legislation to lift a 21-year-old ban on exports of Alaskan North Slope crude oii.

Shell Transport was affected by reports that production at o Nigerian gas lifting plant had been cut hy a third following an explosion. The company, whicb produces helf of Nigerie's oil, denied an explosion had taken plece but the shares ended the day 6 iower at 726p.

Bnrmah Castrol slid 23 to 865p after agency broker James Capel moved its recommendation to hold from buy because of higher oii prices and tbe shares' recant strong performance, Capel has increased its forecast for the average 1994 oil price to $16.50 a barrel from $15.

Tobacco and insurance conglomerate BAT fell 9 to 434p as good news on the tobacco side was countered by disappointing figures from Eagle Star.

Motor dealer Lex Service tumbled 30 to 447p after reporting interim figures below market expectations followed by a gloomy results meeting with analysts.

Engineering group IMI hardened a penny to 328p after NatWest Securities upgraded 1995 profit expectations. Leaving its current year forecast at £84m, it raised the following year's estimate by £6m to £107.5m.

Airports operator BAA, a strong performer in recent seslons, ran into profit-taking leaving the shares trailing 14 to 980p. British Airways eased 3 to 426p after it said it may challenge yesterday's decision by the EC to allow its rival Air France to receive FFr20bn in state aid.

Food and drink manufacturer Cedbnry Sceweppes climbed 9 to 435p as marketmakers covered positions in what was described as e classic bear squeeze.

A surge ln auctioo sales heiped Sotheby's rise 13 to 828p.

Reports of takeover activity In the hotels sector ruffled some featbers hut foiied to make much impact on share prices. Forte, which ls said to be ettempting to persuode shareholders in the Savoy Gronp to support its ambitions for a combined luxury botel group, moved ahead in early trading before sliding back to close e halfpenny ahead at 231½p. Savoy 'A' shares finished 2 adrift at 968p.

600 Group rose 5 to 64p after an upbeat AGM message from the chairman. The company said sales and orders were ahead of last year's comparable figure and the company's new products were being well received in the market.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 17

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (90).

BUILDING & CNSTRN (1) Sherif, BLDG MATLS & MCHTS (2) Grafton, Shaw (J), CHEMICALS (1) BOC, DISTRIBUTORS (1) Faber Prest, ELECTRNC & ELECT EQUP (2) Nokia Corp Prf, Racal Elects, ENGINEERING (8) Booth Inds, Expamet Int, ... Thyssen, EXTRACTIVE INDS ... Anglo Am Coal, Driefontein, Gencor, Impala P&E, Joel (H J) Gold, Western Areas, INVESTMENT TRUSTS (3) Fleming Intl High Zero Div Prf, HTR Japanese Smaller, M & G Recovery Geared Uts, LEISURE & HOTELS (2) Eoceey & Hawkes, Cerde Comms, MEDIA (1) Metro Radio, OIL, INTEGRATED (1) Occidental Petm, RETAILERS, FOOD (2) Greggs, Low (Wm), SUPPORT SERVS (1) Admiral, TRANSPORT (3) All Nippon Airways, Bergesen 'A', Nat Express, SOUTH AFRICANS (1) SASOL.

NEW LOWS (47).

GILTS (7) BREWERIES (1) Ascot, BLDG MATLS & MCHTS (1) Sycamore, CHEMICALS (1) Doeflex, DISTRIBUTORS (1) Litho Supplies, DIVERSIFIED INDLS (1) Trafalgar House, ELECTRNC & ELECT EQUP (3) Indl Control Servs, Milgate, Telemetrix, ENGINEERING (3) EIS, Servomex, Wellington, EXTRACTIVE INDS (1) Rackwood, FOOD MANUF (2) Canadian Pizza, Kays Food, HEALTH CARE (3) Intercare, Kynoch, Tepnel Diagnostics, HOUSEHOLD GOODS (2) Jeyes, Tomkinsons, INSURANCE (2) Independent Insce, PWS, INVESTMENT TRUSTS (2) Gartmore Shared Equity Zero Div Pf, Jupiter Euro Wrnts, LIFE ASSURANCE (1) Trans 8 6pc Cv Pf, MEDIA (2) Chime Comms, Sphere Inv, Tat Wrnts, MERCHANT BANKS (1) Winirust, OTHER FINANCIAL (1) Investment Co., PROPERTY (4) Embassy Property, Hambro Countrywide, Specialty Shops, Town Centre, SUPPORT SERVS (2) Clinical Computing, Quality Software Prods, TEXTILES & APPAREL (4) Allied Textile, Abans, Haggas (J), Parkland, TRANSPORT (1) GATX, AMERICANS (1) Malvy Tech.

EQUITY FUTURES AND OPTIONS TRADING

Renewed worries on inflation and disappointment at the outcome of the UK gilts auction sent stock index futures falling through 3,100, a recent support level, *writes Joel Kibazo.*

The first trade in the September FT-SE 100 futures contract was struck at 3,121. It moved ahead as a leading UK house executed e 'roll over' trade from September Into the December contract.

However, the contract's advance was cut short mid-morning by the market's disappointment at the out come of the UK gilts auction. September drifted lower there after for the next few hours, only steadying around the lunch time period.

The release of US durable goods figures brought another bout of active selling as dealers reflected on the possibility of an Increase in interest rates. With the retreat on Wall Street Increasing the downward pressure, September fell to the day's low of 3,082.

Having briefly dipped to e discount during the afternoon slide, the contract finished at 3,087, at a 3 point premium to cash, with volume improving to 15,723 lots.

The expiry of the July stock options was the main feature In the traded options sector. Total volume at the close was 30,948, with 11,863 dealt In the FT-SE 100 option British Steel was the busiest stock option at 1,349 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3121.0	3087.0	-47.0	3138.0	3082.0	15723	51488
Dec	3135.0	3097.0	-47.6	3138.0	3107.5	1650	2018

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £16 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3655.0	3635.0	-26.0	3659.6	3627.0	120	4425

■ FT-SE MID 250 INDEX FUTURES (OMLX) £16 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3634.6					836

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION ● (LIFFE) (*3119) £16 per full index point July 26

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Aug	188	8½	143	13	103	23½	66½	38½	40	62½	29½	95½	10½	133½	3½	182½
Sep	207	22½	165	30	128½	42	95½	60	67½	83	46½	113	30	148	17½	187½
Oct	220½	36	183½	48½	147	62½	118½	84	90½	107	70	136½	50½	168½	37	205
Nov	238½	45	200½	59	166	75	137½	96	109	118	88½	148½	67½	177½	51½	213
Dec†			213½	73½			152½	111½			103½	162			65½	225

Calls 3,704 Puts 4,879

■ EURO STYLE FT-SE 100 INDEX OPTION ● (LIFFE) £10 per full index point July 26

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Aug	161	10½	129½	17½	82½	30½	59½	47½	29½	77½	15½	114½	7	154½	3	200½
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	37	127	22½	162½	13½	203
Oct											65	157			36	226½
Nov											93	171½			58	235½
Dec											134	196½			96½	256

Calls 1,269 Puts 2,366 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months. ● Latest figures unavailable for this edition due to problems at source.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750	3800
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72½	51¼	100½

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jul 27	Day's chge%	Jul 26	Jul 25	Jul 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3082.3	-1.1	3117.2	3108.1	3114.7	2884.2	4.06	6.83	17.32	78.15	1156.55
FT-SE Mid 250	3632.9	-0.2	3641.1	3624.0	3630.8	3244.8	3.40	5.69	21.11	81.01	1346.05
FT-SE Mid 250 ex Inv Trusts	3635.1	-0.2	3642.9	3626.1	3634.8	3257.1	3.55	6.18	19.66	84.52	1343.76
FT-SE-A 350	1556.8	-0.8	1571.2	1555.2	1569.2	1441.5	3.90	6.57	16.06	37.60	1195.62
FT-SE SmallCap	[illegible]	—	1829.77	1825.24	1821.45	1636.42	3.07	4.27	30.66	32.96	1411.09
FT-SE SmallCap ex Inv Trusts	[illegible]	—	1797.84	1794.43	1790.53	1632.84	3.25	4.72	28.31	33.01	1389.78
FT-SE-A ALL-SHARE	1544.66	-0.8	1557.85	1552.07	1555.53	1426.66	3.84	6.40	18.83	36.66	1206.68

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,700	57	+½
Abbey National†	1,800	408	-6
Albert Fisher	90	44	
Allied-Lyons†	1,300	589	+1
Anglian Water	1,300	525	+11
Argos	297	356	+1
Argyll Group†	2,800	272	-½
Arjo Wiggins†	1,000	286	-6

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	87	3
Other Fixed Interest	0	0	15
Mineral Extraction	64	67	78
General Manufacturers	110	145	395
Consumer Goods	33	47	116
Services	68	103	333
Utilities	[illegible]	[illegible]	[illegible]
Financials	45	132	192
Investment Trusts	66	95	301
Others	18	78	36
Totals	411	753	1477

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£21⅞	+⅛	£25⅝	£20¼	6,416	5.2	Φ
ANZ A$	195¼	–1¾	276¼	179¾	2,844	4.0	23.4
Abbey National ♣N☐	408	–6	523	381	5,368	4.3	13.7
Allied Irish IE ♣N☐	255	–1	314	234	1,899	4.8	9.8
Anglo Irish IE ♣N☐	57	–1	*70	50	196.2	7.5	16.4
Asahi Y	793¼	+10¾	919¼	628	18,408	0.6	Φ
Banco Bil Viz Pta	£14⅞	–⅛	£18⅞	£14⅛	2,432	5.7	6.5
Banco Sant Pta	£27⅛	—	*£39¾	£23¾	4,203	5.2	6.7
Bk Ireland IE ♣☐	278	–1	*319	248	1,378	4.7	8.1
Bank Scotland ♣N☐	182	–4	247	172½	2,122	3.5	14.9
9¼pc Pf	116¼	–1	131½	114	116.8	9.9	–
9¾pc Pf	121	–1	148½	119¾	121.0	16.1	–
Barclays ♣N☐	544	–7	640	467	8,850	3.6	22.5
Dai Ichi Kan Y	£11⅜	+⅛	£12⅝	£10⅛	37,330	0.5	62.3
Deutsche DM	£300½	+2½	£344¼	£270⅛	14,598	2.2	–
Espirito Santo	£18⅝	–⅛	£28⅛	£17⅛	198.1	4.2	4.8
First Nat Fin N☐	99xd	—	*99	90	187.8	2.9	–
6.3pc Cv Pf	78xd	—	*90	77	5.24	10.1	–
7pc Cv Pf	127xd	–½	171	123	80.3	8.0	–
Fuji Bank Y	1479½	–16¾	1549¾	1152½	42,863	0.4	Φ
HSBC HK N☐	770	+2	1133	680	13,475	3.8	11.1
HSBC (75p Shs) N☐	764½	+3½	1113	660	6,405	3.9	10.9
Lloyds N☐	568	–17	680	519	7,117	3.6	11.6
Mitsubishi Y	£17⅛	–⅛	£19⅞	£15⅝	49,134	0.3	Φ
Mits Tst & Bk Y	1033	–10¼	1162¾	687½	12,379	0.5	15.6
Mitsui Tst & Bk Y	773¼	+8¾	878	614	9,283	6.7	24.8
Nat Aust A$ †	529¼	–4¼	620¼	489¾	7,063	5.4	10.9
NatWest N☐	480	–10	622	421	7,854	5.8	10.5
Ottomane FFr	£22½	—	£39	£22½	177.8	6.2	Φ
Ryl Bk Scotland ♣†N☐	383	–3	528	377½	3,144	0.8	17.8
Sakura Y	£9⅛	+⅛	£9⅞	£8⅛	30,288	3.0	63.7
Sanwa Y	£13⅞	–⅛	£15⅞	£11⅞	40,251	0.4	Φ
Standard Chartd N☐	247	–5	*368¼	223	2,273	5.8	10.8
7 3/8pc Pf	82¾	–¾	108½	86¼	92.8	3.0	–
Sumitomo Y	£12⅞	–⅛	£16⅝	£11½	40,191	8.4	26.0
Sumitomo Tst Y	979¼	–6¾	1146½	625	12,787	3.0	Φ
TSB †N☐	206	–3	281	197	2,164	4.8	15.2
Tokai Y	£8⅞	–⅛	£9	£6⅞	77,463	0.7	51.2
Toyo Tst & Bk Y	779¼	–2¾	852	686¼	8,120	0.7	65.6
Westpac A$	221	–1	280	194	4,205	2.4	Φ

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. h Figures based on prospectus or other official estimates. c Cents. I Flat yield. $ Assumed dividend yield after rights issue. i Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. 7 Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: *Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: *The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.*

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: *The most recent report and scheme particulars can be obtained free of charge from fund managers.*

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Scottish Provident Group

Century Life International Ltd

Eagle Star Intl Life

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Workinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA - Contd.

LUXEMBOURG (REGULATED)(**)

HSBC MAPT Luxembourg SA

Unico Financial Services SA Lux

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund—SICAV (z)

OTHER OFFSHORE FUNDS

The Environmental Investment Co Ltd

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Kestrel

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

Quantum Group

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Lira touches new low

The political woes of Mr Silvio Berlusconi, the Italian prime minister, yesterday drove the lira to a new low for the year, *writes Philip Gawith.*

News that an arrest warrant had been issued for Mr Berlusconi's brother intensified speculation about whether the government would survive.

Political uncertainty prompted selling of Italian assets by foreigners, and this drove the lira to a low of L1,007 against the D-Mark. It closed in London off the low at L1,006 from L996.7 on Tuesday.

UK dealers reported that the Bank of Italy had intervened to support the lira around L1,005.

Trading conditions in the foreign exchange markets remained thin. Analysts said the market continued to be dominated by interbank day traders, with medium and long term investors mostly absent.

Eurosterling contracts fell sharply as the mixed reception given yesterday's gilts auction, the weak US Treasury market and fears about UK interest rates rising, all preyed on sentiment.

The sterling index remained unchanged at 78.6, the lowest level since March 1993.

■ *Analysts were pessimistic* about the outlook for the lira, with most predicting that it will retest the low of L1,010 against the D-Mark, reached last December.

The catalyst for lira weakness was the story about Mr Berlusconi's brother. This follows the recent controversy about a government decree which sought to curb magistrates' powers of detention, and renewed criticism about the unresolved conflict of interest between Mr Berlusconi's business interests and the office of prime minister.

Although the origin of lira weakness may be politics, it has also focused the market's attention on Italy's economic problems. Mr James Cornish, European strategist at NatWest Markets, commented: "The market is worried that we are either plunged into early elections or, if Mr Berlusconi stays on, that he won't be able to get decisions on the 1995 budget."

Mr Neil MacKinnon, chief economist at Citibank in London said "International investors are taking the view that the shelf-life of Mr Berlusconi's government is limited."

In the past when the lira has fallen below L1,000, it has tended to attract buying interest and recover. According to Mr MacKinnon, buying interest has this time been absent. "It now increasingly looks as if the lira is comfortable above the L1,000 level."

The Citibank analyst predicted that the risk premium that attached to Italian assets meant there was a risk of a considerable further downside for the lira. This view was endorsed by Mr Stephen Yorke, chief European analyst at Chase Manhattan in London. He said that the market's fear was not so much that the Berlusconi government would fall, but that it would stay in office and "drift", without getting public spending under control.

■ The poor sentiment in the gilt market contributed to some of the sharpest price movements seen in short sterling for a number of weeks. The December contract traded over 30,000 lots to settle 18 basis points lower at 93.67.

Mr Richard Phillips, analyst at brokers GNI, commented: "The problem is that everybody is long. There is no room left to buy the stock." Selling pressure was not aggressive, but buyers were absent.

A number of factors weighed on the market. These included: press reports suggesting that UK interest rates would rise further this year, the low coverage in the morning gilt auction, and the weakness in the US bond market.

■ The dollar moved down to test the technical trend line of DM1.5740 – in place since July 12 when the US currency started to recover from a low of DM1.52 – but bounced off it to finish at DM1.576 from DM1.5865 on Tuesday.

Currency weakness was a spillover from the fall in US bond prices after the release of the June durable goods figures. Orders rose by 1.3 per cent, compared to market expectations of a 0.6 per cent increase, raising fears that a monetary policy tightening might become necessary.

The June increase in durable goods orders, without transport, was the thirteenth consecutive rise, the longest sequence on record.

Mr MacKinnon said he remained sceptical about the durability of the dollar's recovery and expected the bear trend to resume. The US currency finished at Y98.01 against the yen from Y98.

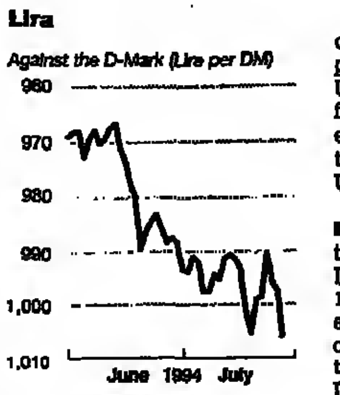
Any recovery is being impeded by fears that the Sunday deadline for progress in US/Japan trade talks may be broken, raising the prospect of US sanctions.

■ The Bank of England provided UK money markets with £650m liquidity after forecasting a similar shortage. Overnight money traded between 4¼ and 5¾ per cent.

In Germany, call money firmed to 5/5.10 per cent from 4.95/5.05 per cent with money in short supply after a fairly tight liquidity injection at the fixed rate repo tender. Traders said rates would probably rise towards the Lombard rate of 6 per cent today as pension payments are made.

Lira

Against the D-Mark (Lire per DM)



Source: FT Graphite

■ Pound in New York

Jul 27	Latest	Prev. close
£ spot	1.5315	1.5240
1 mth	1.5305	1.5230
3 mth	1.5296	1.5222
1 yr	1.5252	1.5182

■ OTHER CURRENCIES

Jul 27	£	$
Hungary	155.529 - 155.754	101.620 - 101.720
Iran	2664.00 - 2683.00	1748.00 - 1750.00
Kuwait	0.4552 - 0.4566	0.2974 - 0.2982
Poland	34642.9 - 34878.6	22635.0 - 22848.0
Russia	3142.94 - 3148.06	2053.00 - 2057.00
U.A.E.	5.6114 - 5.6228	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9764	-0.0805	687 - 841	17.0316	16.9514	16.8721	0.3	16.9602	0.4	-	-	115.1
Belgium	(BFr)	49.6781	-0.1735	341 - 181	49.7640	49.5600	49.6711	0.1	49.7161	-0.3	49.7181	-0.1	115.5
Denmark	(DKr)	9.4825	-0.0323	788 - 862	9.4998	9.4619	9.4835	-0.9	9.5046	-0.9	9.5485	-0.7	118.6
Finland	(FM)	7.9027	-0.0346	232 - 422	7.9730	7.9230	-	-	-	-	-	-	82.7
France	(FFr)	8.2448	-0.0188	402 - 493	8.2577	8.2237	8.2482	-0.5	8.2527	-0.4	8.235	0.1	110.1
Germany	(DM)	2.4126	-0.0082	113 - 139	2.4168	2.4080	2.4122	0.2	2.4113	0.2	2.3905	0.8	125.7
Greece	(Dr)	364.955	-0.944	565 - 344	365.579	363.946	-	-	-	-	-	-	-
Ireland	(I£)	1.0119	-0.0007	111 - 126	1.0146	1.0061	1.0123	-0.5	1.0132	-0.5	1.0167	-0.5	104.1
Italy	(L)	2427.78	+14.34	584 - 971	2427.41	2414.48	2434.48	-3.3	2446.63	-3.1	2499.88	-3.0	75.4
Luxembourg	(LFr)	49.6751	-0.1735	341 - 181	49.7640	49.5600	49.6711	0.1	49.7161	-0.3	49.7161	-0.1	116.5
Netherlands	(Fl)	2.7060	-0.0076	070 - 090	2.7131	2.7027	2.7076	0.2	2.7061	0.3	2.6855	0.8	120.4
Norway	(NKr)	10.5164	-0.0286	124 - 203	10.5606	10.4951	10.5134	0.3	10.5239	-0.3	10.5098	0.1	96.5
Portugal	(Es)	246.850	-0.796	564 - 136	247.708	246.193	248.58	-8.4	251.76	-8.0	-	-	-
Spain	(Pta)	198.628	-0.343	506 - 750	199.245	198.256	199.073	-2.7	199.933	-2.6	202.813	-2.2	86.2
Sweden	(SKr)	11.8229	+0.0061	144 - 313	11.8749	11.7374	11.8444	-2.2	11.8949	-2.4	12.1154	-2.5	74.0
Switzerland	(SFr)	2.0468	-0.0093	455 - 480	2.0525	2.0429	2.0453	0.9	2.0421	0.9	2.0179	1.4	119.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	63.1
Ecu	-	1.2637	-0.0011	631 - 642	1.2662	1.2604	1.2646	-0.9	1.2659	-0.7	1.2672	-0.3	-
SDR†	-	0.951483	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5267	-0.0029	282 - 291	1.5310	1.5233	-	-	-	-	-	-	-
Brazil	(R)	1.4314	+0.0077	295 - 332	1.4362	1.4214	-	-	-	-	-	-	-
Canada	(C$)	2.1112	+0.0059	103 - 120	2.1191	2.1047	2.1127	-0.8	2.1164	-1.0	2.1434	-1.5	86.0
Mexico	(New Peso)	5.2119	+0.0157	069 - 168	5.2168	5.1924	-	-	-	-	-	-	-
USA	($)	1.5309	-0.005	305 - 312	1.5325	1.5247	1.5298	0.8	1.5289	0.5	1.5246	0.4	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0711	+0.0189	998 - 723	2.0732	2.0528	2.0711	0.0	2.0724	-0.3	2.0905	-0.9	-
Hong Kong	(HK$)	11.8258	-0.0384	223 - 293	11.8378	11.7798	11.8219	0.4	11.8208	0.2	11.8278	0.0	-
India	(Rs)	48.0190	-0.156	003 - 376	48.0630	47.8370	-	-	-	-	-	-	-
Japan	(Y)	150.039	+0.505	943 - 134	150.310	149.380	149.659	3.0	148.894	3.1	144.899	3.4	193.0
Malaysia	(M$)	3.9695	+0.0125	678 - 712	3.9730	3.9525	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5465	+0.0228	449 - 482	2.5484	2.5253	2.5505	-1.5	2.5583	-1.8	2.5808	-1.3	-
Philippines	(Peso)	40.3380	-0.1317	461 - 299	40.8150	39.8125	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7412	-0.0187	395 - 429	5.7470	5.7185	-	-	-	-	-	-	-
Singapore	(S$)	2.3114	-0.0071	104 - 123	2.3133	2.3026	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6175	-0.003	139 - 210	5.6297	5.6039	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9730	+0.038	561 - 899	6.9999	6.9455	-	-	-	-	-	-	-
South Korea	(Won)	1225.43	+4.01	807 - 879	1229.68	1223.57	-	-	-	-	-	-	-
Taiwan	(T$)	40.7187	+0.1097	059 - 315	40.7531	40.5570	-	-	-	-	-	-	-
Thailand	(Bt)	38.1948	-0.1096	707 - 188	38.2210	38.0640	-	-	-	-	-	-	-

†SDR rate for Jul 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0895	-0.075	870 - 920	11.1380	11.0750	11.0922	-0.3	11.0858	0.1	11.0078	0.7	104.0
Belgium	(BFr)	32.4500	-0.22	300 - 700	32.6000	32.4000	32.47	-0.7	32.5075	-0.7	32.57	-0.4	105.5
Denmark	(DKr)	6.1943	-0.0414	933 - 953	6.2224	6.1870	6.2003	-1.2	6.2113	-1.1	6.2483	-0.9	105.0
Finland	(FM)	5.1818	-0.0396	768 - 869	5.2233	5.1744	5.1849	-0.7	5.1874	-0.4	5.2284	-0.9	77.0
France	(FFr)	5.3858	-0.03	840 - 875	5.4090	5.3745	5.3906	-1.1	5.3965	-0.8	5.3743	0.2	106.1
Germany	(D)	1.5760	-0.0105	755 - 764	1.5847	1.5740	1.5767	-0.5	1.5768	-0.2	1.5687	0.6	106.3
Greece	(Dr)	238.400	-1.4	200 - 600	239.120	238.200	238.75	-1.8	239.52	-1.9	242.9	-1.9	89.1
Ireland	(I£)	1.5130	-0.008	122 - 137	1.5182	1.5078	1.5118	1.0	1.5095	0.9	1.5007	0.8	-
Italy	(L)	1585.90	+4.2	500 - 620	1588.00	1582.33	1590.95	-3.6	1599.75	-3.5	1637.9	-3.3	78.3
Luxembourg	(LFr)	32.4500	-0.22	300 - 700	32.6000	32.4000	32.47	-0.7	32.515	-0.8	32.57	-0.4	105.5
Netherlands	(Fl)	1.7690	-0.0107	687 - 692	1.7775	1.7687	1.7696	-0.4	1.7683	0.1	1.7612	0.4	105.2
Norway	(NKr)	6.8696	-0.0413	686 - 706	6.9019	6.8631	6.8731	-0.8	6.8778	-0.5	6.8531	0.2	96.4
Portugal	(Es)	161.250	-1.05	100 - 400	162.400	160.950	162.48	-9.2	164.52	-8.1	171.65	-6.4	94.8
Spain	(Pta)	129.750	-0.65	700 - 800	130.400	129.600	130.115	-3.4	130.77	-3.1	133.14	-2.6	81.3
Sweden	(SKr)	7.7231	-0.0213	193 - 268	7.7715	7.7193	7.7401	-2.6	7.7766	-2.8	7.9311	-2.7	79.3
Switzerland	(SFr)	1.3370	-0.0105	365 - 375	1.3455	1.3348	1.3367	0.3	1.3353	0.5	1.3228	1.1	106.2
UK	(£)	1.5309	-0.005	305 - 312	1.5325	1.5247	1.5299	0.8	1.5289	0.5	1.5246	0.4	86.6
Ecu	-	1.2115	+0.005	112 - 117	1.2133	1.2057	1.21	1.4	1.2079	1.2	1.2198	-0.7	-
SDR†	-	1.44987	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-0.0009	985 - 986	0.9988	0.9983	-	-	-	-	-	-	-
Brazil	(R)	0.9350	+0.002	340 - 360	0.9360	0.9340	-	-	-	-	-	-	-
Canada	(C$)	1.3791	-0.0007	788 - 793	1.3837	1.3788	1.3807	-1.4	1.3839	-1.4	1.4049	-1.9	82.8
Mexico	(New Peso)	3.4045	-0.0009	020 - 070	3.4020	3.4070	3.4055	-0.4	3.4073	-0.3	3.4147	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3529	-0.008	524 - 534	1.3539	1.3463	1.3531	-0.2	1.3538	-0.3	1.3612	-0.6	87.9
Hong Kong	(HK$)	7.7250	-0.0001	245 - 255	7.7255	7.7232	7.7248	0.0	7.7255	0.0	7.7405	-0.2	-
India	(Rs)	31.3675	-0.0013	625 - 725	31.3750	31.3625	31.4525	-3.3	31.5875	-2.9	-	-	-
Japan	(Y)	98.0100	+0.01	700 - 500	98.2300	97.7500	97.805	2.5	97.38	2.7	94.955	3.1	153.0
Malaysia	(M$)	2.5930	-0.0003	925 - 935	2.5935	2.5905	2.5838	4.3	2.5725	3.2	2.848	-2.0	-
New Zealand	(NZ$)	1.6635	+0.0094	628 - 642	1.6642	1.6556	1.6644	-0.7	1.6663	-0.7	1.6716	-0.5	-
Philippines	(Peso)	26.3500	-	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	501 - 506	3.7506	3.7501	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5099	-0.0003	098 - 101	1.5103	1.5086	1.5085	1.1	1.5068	0.9	1.4998	0.7	-
S Africa (Com.)	(R)	3.6695	-0.014	680 - 710	3.6885	3.6670	3.685	-6.1	3.7133	-4.8	3.79	-3.3	-
S Africa (Fin.)	(R)	4.5550	+0.01	450 - 650	4.5800	4.5600	4.5887	-8.9	4.6475	-8.1	-	-	-
South Korea	(Won)	802.450	-	400 - 500	802.500	802.400	805.45	-4.5	808.95	-3.2	827.45	-3.1	-
Taiwan	(T$)	26.5988	-0.0152	965 - 010	26.6020	26.5965	26.6188	-0.6	26.6588	-0.9	-	-	-
Thailand	(Bt)	24.9500	-0.01	400 - 600	24.9700	24.9400	25.0225	-3.5	25.16	-3.2	25.69	-2.7	-

†SDR rate for Jul 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 26. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	16.60	4.857	2.037	4887	5.451	21.16	496.8	399.8	23.79	4.120	2.013	4.249	3.082	301.9	2.544
Denmark	(DKr)	52.39	10	8.695	2.545	1.067	2560	2.856	11.09	260.3	209.4	12.48	2.158	1.055	2.226	1.614	158.2	1.333
France	(FFr)	60.25	11.50	10	2.927	1.227	2945	3.284	12.76	299.3	240.9	14.34	2.483	1.213	2.560	1.857	161.9	1.533
Germany	(DM)	20.59	3.930	3.417	1	0.416	1006	1.122	4.360	102.3	82.30	4.898	0.848	0.414	0.875	0.634	62.16	0.524
Ireland	(I£)	49.09	9.371	8.147	2.384	1	2399	2.676	10.40	243.9	196.2	11.68	2.023	0.988	2.086	1.513	148.2	1.249
Italy	(L)	2.046	0.391	0.340	0.099	0.042	100.	0.112	0.433	10.16	8.180	0.487	0.084	0.041	0.087	0.063	6.178	0.052
Netherlands	(Fl)	18.35	3.502	3.045	0.891	0.374	896.6	1	3.885	91.14	73.34	4.365	0.756	0.369	0.780	0.565	55.38	0.467
Norway	(NKr)	47.22	9.014	7.837	2.294	0.962	2308	2.574	10	234.6	188.8	11.24	1.946	0.951	2.007	1.455	142.8	1.202
Portugal	(Es)	20.13	3.842	3.341	0.978	0.410	983.8	1.097	4.263	100.	80.47	4.789	0.829	0.405	0.855	0.620	60.78	0.512
Spain	(Pta)	25.02	4.775	4.152	1.215	0.510	1223	1.364	5.297	124.3	100.	5.952	1.031	0.504	1.063	0.771	75.53	0.636
Sweden	(SKr)	42.03	8.023	6.975	2.041	0.856	2054	2.291	8.900	208.8	168.0	10	1.732	0.846	1.786	1.295	126.9	1.069
Switzerland	(SFr)	24.27	4.633	4.028	1.178	0.494	1186	1.323	5.139	120.6	97.02	5.774	1	0.488	1.031	0.748	73.28	0.617
UK	(£)	49.68	9.483	8.245	2.413	1.012	2428	2.708	10.52	246.8	198.6	11.82	2.047	1	2.111	1.531	150.0	1.264
Canada	(C$)	23.53	4.492	3.906	1.143	0.478	1150	1.283	4.983	116.9	94.08	5.599	0.970	0.474	1	0.725	71.06	0.598
US	($)	32.45	6.194	5.385	1.576	0.661	1586	1.769	6.871	161.2	129.7	7.720	1.337	0.653	1.379	1	97.98	0.826
Japan	(Y)	331.2	63.22	54.97	16.09	6.747	16187	18.05	70.13	1645	1324	78.80	13.65	6.667	14.07	10.21	1000.	8.427
Ecu		39.30	7.502	6.523	1.909	0.801	1921	2.142	8.323	195.3	157.1	9.351	1.619	0.791	1.670	1.211	116.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6306	0.6342	-0.0041	0.6346	0.6303	32,073	82,843
Dec	0.6338	0.6344	+0.0038	0.6353	0.6336	370	3,967
Mar	-	0.6319	+0.0015	-	-	27	1,079

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0230	1.0251	+0.0023	1.0260	1.0210	24,434	66,835
Dec	1.0320	1.0328	-0.0015	1.0330	1.0309	1,462	5,556
Mar	-	1.0388	-0.0057	-	-	10	1,018

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7441	0.7481	+0.0051	0.7492	0.7435	14,776	37,248
Dec	0.7505	0.7496	+0.0046	0.7506	0.7487	192	1,171
Mar	-	0.7517	-	0.7317	0.7453	1	11

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5242	1.5296	+0.0064	1.5306	1.5236	10,746	31,204
Dec	1.5270	1.5298	+0.0070	1.5300	1.5260	60	665
Mar	-	1.5300	-	1.5300	-	1	152

EMS EUROPEAN CURRENCY UNIT RATES

Jul 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15171	-0.00138	-2.05	4.46	-
Belgium	40.2123	39.4456	-0.0604	-1.91	4.31	14
Germany	1.94964	1.91781	-0.00173	-1.64	4.03	-
Ireland	0.808628	0.803195	+0.002159	-0.67	3.01	5
France	6.53883	6.55169	-0.00608	0.20	2.12	-2
Denmark	7.43679	7.53500	-0.00258	1.32	0.99	-9
Portugal	192.854	195.892	-0.248	1.58	0.73	-11
Spain	154.250	157.831	-0.072	2.32	0.00	-18
NON ERM MEMBERS						
Greece	264.513	289.908	-0.143	9.60	-6.64	-
Italy	1793.19	1924.85	+10.42	7.34	-4.68	-
UK	0.786749	0.794112	-0.002317	0.94	1.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	7.87	7.87	8.07	-	0.10	0.34
1.475	5.46	5.69	6.05	-	0.35	0.74
1.500	3.14	3.78	4.24	0.17	0.85	1.41
1.525	1.35	2.21	2.78	0.82	1.77	2.41
1.550	0.37	1.15	1.73	2.34	3.17	3.75
1.575	0.04	0.55	0.99	4.45	5.02	5.49

Previous day's vol., Calls 48,375 Puts 4,147 . Prev. day's open int., Calls 671,290 Puts 533,895

WORLD INTEREST RATES

MONEY RATES

July 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅜	5¾	8	7.40	4.50	-
week ago	5	5⅛	5½	5⅞	6⅛	7.40	4.50	-
France	5⅜	5¼	5⅜	5⅝	5⅞	8.10	-	6.75
week ago	5⅜	5¼	5⅝	5⅝	5⅞	5.10	-	6.75
Germany	5.03	4.97	4.93	4.93	5.08	6.00	4.50	4.85
week ago	4.85	4.97	4.85	4.85	4.95	6.00	4.50	4.91
Ireland	5⅞	5⅝	5⅝	6⅛	6½	-	-	6.25
week ago	5	5⅝	5⅝	6⅛	6⅛	-	-	6.25
Italy	8¼	8¼	8½	8⅞	8⅞	-	7.00	7.95
week ago	8⅝	8¼	8⅝	8⅞	8⅞	-	7.00	8.15
Netherlands	4.85	4.91	4.93	5.02	5.21	-	5.25	-
week ago	4.86	4.91	4.82	4.94	5.12	-	5.25	-
Switzerland	4⅛	4⅜	4⅜	4⅞	4⅝	6.625	3.50	-
week ago	4	4⅜	4¼	4⅜	4½	6.625	3.50	-
US	4⅜	4⅞	4⅝	5⅜	5⅞	-	3.50	-
week ago	4⅜	4⅞	4⅞	5⅛	5⅜	-	3.50	-
Japan	2	2¼	2⅜	2¼	2½	-	1.75	-
week ago	2	2¼	2⅛	2⅜	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4½	4⅞	5¼	5¾	-	-	-
week ago	-	4½	4⅞	5⅛	5⅜	-	-	-
US Dollar CDs	-	4.23	4.59	5.01	5.56	-	-	-
week ago	-	4.23	4.60	4.90	5.44	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅜. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	5¾ - 5⅝	6 - 5⅞
Danish Krone	5⅜ - 5⅛	5⅝ - 5½	5[illegible] - 5[illegible]	6¼ - 6	6⅝ - 6⅜	[illegible]
D-Mark	5[illegible] - 4[illegible]	5[illegible] - 5[illegible]	5[illegible] - 4[illegible]	5 - 4⅞	5[illegible] - 4[illegible]	5⅛ - 5
Dutch Guilder	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	5[illegible] - 4[illegible]	5¼ - 5⅛
French Franc	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5½ - 5⅜	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5 - 5⅞
Portuguese Esc.	12⅛ - 11⅞	11¾ - 11⅝	12⅜ - 12⅛	12⅜ - 12⅛	12⅜ - 12⅛	12¼ - 11¾
Spanish Peseta	7⅝ - 7[illegible]	7⅝ - 7[illegible]	7[illegible] - 7[illegible]	7[illegible] - 7¾	8[illegible] - 8	8½ - 8⅜
Sterling	5⅛ - 4⅞	5[illegible] - 4[illegible]	5[illegible] - 5[illegible]	5⅜ - 5¼	5[illegible] - 5[illegible]	6⅜ - 6¼
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

Jul 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 4¼	5⅜ - 4[illegible]	5⅜ - 5⅛	5⅜ - 5¼	5[illegible] - 5½	6⅜ - 6¼
Sterling CDs	-	-	5[illegible] - 5[illegible]	5⅜ - 5⅛	5[illegible] - 5[illegible]	6⅛ - 6
Treasury Bills	-	-	5[illegible] - 4[illegible]	5[illegible] - 4[illegible]	-	-
Bank Bills	-	-	5[illegible] - 4[illegible]	5[illegible] - 5	5⅜ - 5[illegible]	-
Local authority deps.	5¼ - 5	5⅜ - 5⅛	5[illegible] - 5[illegible]	5¼ - 5⅛	5½ - 5⅜	6[illegible] - 5[illegible]
Discount Market deps	5¼ - 4¼	5⅜ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9646pc. ECGD fixed rate Stg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 25, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1870pc. Finance House Base Rate 5½pc from July 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.54	94.41	-0.14	94.54	94.39	19034	105653
Dec	93.83	93.67	-0.18	93.83	93.67	30496	139464
Mar	93.20	93.01	-0.22	93.20	92.99	14425	67653
Jun	92.60	92.41	-0.25	92.81	92.41	4528	52214

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.22	0.07	0.05	0.06	0.65	1.29
9450	0.06	0.03	0.03	0.15	0.86	1.52
9475	0.02	0.01	0.01	0.38	1.09	1.75

Est. vol. total, Calls 14640 Puts 17792. Previous day's open int., Calls 229885 Puts 210484

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 27 / Sch)

BELGIUM/LUXEMBOURG (Jul 27 / Frs.)

DENMARK (Jul 27 / Kr)

FINLAND (Jul 27 / Mkk)

FRANCE (Jul 27 / Frs.)

GERMANY (Jul 27 / Dm.)

ITALY (Jul 27 / Lire)

NETHERLANDS (Jul 27 / Fls.)

NORWAY (Jul 27 / Kroner)

SPAIN (Jul 27 / Pts.)

SWEDEN (Jul 27 / Kroner)

SWITZERLAND (Jul 27 / Frs.)

PACIFIC

JAPAN (Jul 27 / Yen)

AUSTRALIA (Jul 27 / Aust$)

HONG KONG (Jul 27 / H.K.$)

MALAYSIA (Jul 27 / MYR)

SINGAPORE (Jul 27 / S$)

NORTH AMERICA

CANADA

TORONTO (Jul 27 / Can $) 4 pm close

MONTREAL (Jul 27 / Can $) 4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/lows are for 1994, except Toronto & Montreal (Canada). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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AFRICA

SOUTH AFRICA (Jul 27 / Rand)

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, July 27, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	7.3m	959	-16	Mitsubishi Hvy	3.5m	766	-3
Toshiba	6.0m	722	-13	Fujitsu	3.4m	1020	-20
Nippon Steel	5.0m	330	-3	Misawa Resort	3.2m	1630	+150
Mitsubishi Oil	4.7m	1150	+10	Mitsui Sugar	3.1m	638	+14
Kawasaki Steel	4.1m	383	+3	Sumitomo Mtl	3.1m	289	-3

INDICES

	Jul 27	Jul 26	Jul 25	1994 High		1994 Low	
Japan							
Nikkei 225 (16/5/49)	20137.23	20345.37	20297.85	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	292.81	293.96	293.79	311.71	13/6	258.22	4/1
Topix (4/1/68)	1615.82	1622.76	1621.79	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2441.17	2451.91	2457.74	2542.85	5/7	1673.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1020.19	1008.31	1004.38	1314.46	5/1	928.33	4/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	2070.0	2055.0	-28.0	2078.0	2054.0	24,721	20,928
Aug	2078.5	2063.5	-28.8	2080.8	2063.0	-	9,728
Sep	2086.5	2071.5	-28.8	2087.5	2074.0	1,289	27,721

Open interest figures for previous day.

** Sat July 23: Taiwan Weighted Price 6556.23; Korea Comp Ex 950.58. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 27 - 2138.93 -27.39

US INDICES

Amex Mkt Val	434.50	434.06	433.45	467.89 (2/2)	422.57 (25/6)	467.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	716.86	716.86	716.58	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 22	Jul 15	Jul 8	Year ago
Dow Jones Ind. Div. Yield	2.74	2.71	2.74	2.93
	Jul 20	Jul 13	Jul 6	Year ago
S & P Ind. Div. yield	2.46	2.47	2.49	2.56
S & P Ind. P/E ratio	23.07	22.93	22.72	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	453.75	453.10	-0.85	453.85	452.95	32,477	202,063
Dec	455.65	455.65	-0.90	455.65	455.55	248	12,584
Mar	-	459.10	-	-	459.18	8	2,848

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	4,416,800	58⅝	+1⅛
IBM	2,885,000	62¾	+⅛
Chevron	2,803,300	43	-⅛
Lac Minerals	2,768,900	10⅝	+⅛
Compaq	2,571,500	31⅛	-⅛
McDonald's	2,567,300	27	+⅜
Ford Motor	2,388,100	31⅝	+¼
Digital Equip	2,016,900	19¾	+1
Southern	1,868,800	18⅝	-⅛
Eastman Kdk	1,812,700	47⅞	-1⅜

■ TRADING ACTIVITY

● Volume (million)

	Jul 26	Jul 25	Jul 22
New York SE	232.854	211.700	261.064
Amex	14.737	12.094	15.019
NASDAQ	245.229	196.328	265.530
NYSE			
Issues Traded	2,839	2,827	2,838
Rises	908	1,068	1,094
Falls	1,147	1,051	965
Unchanged	784	718	779
New Highs	27	38	35
New Lows	57	49	59

? Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close July 27

1994 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	13½	AAR	0.48	3.4	470	54	14¼	14	14⅛	
16⅞	13	A L Labs A	0.18	1.3	31	43	13½	13½	13½	+⅛
73	57⅝	AMP	1.68	2.3	25	5793	72	71	71¾	+⅜
72¾	52⅛	AMR			101	2920	60⅜	57⅝	57¾	-1⅛
5	3½	APX			12	54	3¾	3⅝	3⅝	-⅛
56⅛	38⅝	ASA	2.00	4.2	31	1368	47½	46⅞	47½	+½
31⅝	25⅝	AbbotL	0.76	2.7	18	5864	28⅛	27½	28	+¼
13¾	11⅜	Abitibi Pr	0.50	4.0	9	37	12⅝	12½	12½	
23⅝	17¾	ABM Ind	0.52	2.5		15	20⅞	20¼	20⅞	+½
13¾	11⅛	Acptncein			24	19	13⅜	13¼	13¼	-⅛
31	22¾	ACE Ltd	0.44	1.8	3	119	23⅞	23⅝	23⅞	
12½	10⅛	ACM Gvt In	1.09	10.7		437	10½	10¼	10¼	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.8		57	8¼	8⅛	8⅛	-⅛
10⅝	8	ACM Gvt Sp	0.96	12.2		729	8⅛	d7¾	7⅞	-⅛
12	9⅛	ACM Gvt Se	1.09	12.2		806	9⅛	d9	9	-⅛
11¾	8¾	ACM Man	1.20	12.2		282	8⅞	d8⅝	8⅞	+⅛
9¾	8	ACM Managd	0.72	8.9		20	8½	8⅛	8⅛	
15½	8¾	AcmeClv	0.44	4.0	13	19	11⅛	11⅛	11⅛	-⅛
9¼	6½	Acme Elect			6	17	8⅝	8¼	8¼	+⅛
28¾	23	Acordia	0.90	2.3	13	23	26⅜	26	26	-¼
9⅜	5¾	Actava	0.36	4.1	2	25	8⅞	8¾	8¾	-⅛
15⅝	11¼	Acuson			93	530	12¼	12	12⅛	+⅛
18⅜	16½	Adams Expr	0.48	2.8	0	112	17	16⅞	17	
84	46½	Ad Micro	3.00	5.5		4	54¼	54½	54½	+⅜
31⅛	18¾	AdvMic	3.20	11.7	11	2646	28	25½	25⅝	
6⅞	5	Advest Grp	0.18	3.1	8	35	5⅛	5⅛	5⅛	
20	15	Advo Inc	0.10	0.6	111	9	16⅞	16⅜	16¾	-⅛

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4 pm close July 27

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
62½	47⅞	StJoePaper	0.20	0.3	318	83	61½	60⅝	60½	-1
30¼	26	StJosL&P	1.80	6.8	13	3	26½	26½	26½	+¼
45	37⅞	StPaul	1.50	3.6	4	892	42⅛	41⅞	42¼	+½
9⅞	6	Salant Crp			9	201	6⅞	6¼	6⅛	-⅛
49⅞	34½	Sallie Mae	1.40	4.8	7	8118	35½	34⅞	35	-⅛
13⅞	11⅞	Salomon Br	0.32	2.6		106	12¼	12⅛	12¼	-⅜
52⅝	42½	Salomn	0.64	1.5	5	1124	43⅝	43	43½	
25	17½	SalDgGE	1.52	7.8	10	975	20	19⅞	20	+⅛
10	7½	SantaFeERo	0.18	1.7	9	659	9⅝	9½	9½	-⅛
15¼	13½	SFeGd				3166	15	14⅞	14⅞	-½
40	31½	SantaFePac	2.80	7.8	18	34	35⅞	35¼	35⅞	+⅜
26¼	18½	SanFeP	0.10	0.5	11	2952	20¼	19⅞	20¼	-¼
26	19⅞	SaraLee	0.64	3.1	13	6605	20⅝	20½	20½	-⅛
50⅛	42⅛	Scana Corp	2.82	6.4	11	92	44⅛	43⅞	44	-⅛
20½	12½	Scecrp	1.00	7.6	9	4154	13⅛	12⅞	13⅛	-⅛
40½	31⅞	ScheranP			28	150	37⅛	37	37⅛	+⅛
69⅝	54½	SchrPl	2.04	3.3	14	2659	62⅞	62	62⅝	-⅜
63	50⅞	Schlmb x	1.20	2.0	24	5879	59⅞	58⅞	59	-.71
33⅞	23⅞	Schwab(C) x	0.28	1.1	12	1013	26½	26	26¼	-¼
10⅝	6⅛	Schwitzer			24	31	8⅝	8⅜	8⅝	-⅛
38⅜	24⅞	SciAtl	0.12	0.3	69	2239	35⅛	34½	34⅞	+½
15⅞	13	Scotsman	0.16	0.7	13	15	14½	14⅜	14⅜	-¼
55¼	37¼	ScottP	0.80	1.4	15	8363	u56½	55⅝	56⅜	+⅞
28⅝	18⅝	ScudderNAsF	0.27	0.8		14	23⅛	23⅛	23⅛	-⅛
12⅞	9½	ScudderNEuF	0.18	1.5		101	10⅜	10¼	10⅜	
16½	13½	SeaCnB	0.70	4.2	8	12	16⅝	16	16⅝	+⅜
16½	14⅞	SeaCT 4625	1.46	9.6		2	15¼	15⅛	15¼	
32	26¼	Seagrm	0.50	1.8	39	4185	30⅞	30½	30⅝	-⅜

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1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
53⅞	40	Xerox Corp	0.56	1.2	21	184	47⅝	47	47¼	-¼
25½	20	Yankee Egy	1.22	5.4	13	40	22⅞	22⅝	22⅞	
40	30⅞	York Int	0.18	0.4	19	442	38½	38	38½	
5½	1	Zapata	0.14	2.8		183	5⅛	5	5	-⅛
13½	7	ZenithE			3	337	9⅝	9¼	9¼	
25½	20⅝	Zenith Nat x	1.00	4.3	8	91	23⅛	23	23⅛	
7⅞	6⅝	Zenix Inc x	0.83	11.4		30	7⅛	7⅛	7¼	-⅛
18⅛	11⅛	Zero	0.40	3.1	15	79	13⅛	12⅞	12⅞	
29⅞	18⅝	Zurn Ind	0.88	4.7	18	244	19½	18⅝	18⅝	-1
13⅞	12⅛	Zweig Fund	1.08	8.9		126	12¼	d12⅛	12⅛	
10⅞	9	Zweig Total	0.84	9.3		278	9⅛	d9	9	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close July 27

AMEX COMPOSITE PRICES

4 pm close July 27

AMERICA

Interest rate fears depress US stocks

Wall Street

US stocks suffered a setback yesterday as strong economic data pushed hond prices down and raised the likelihood of an early increase in interest rates, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 12.62 lower 6t 3,723.06, while the more broadly based Standard & Poor's 500 was down 1.40 at 451.96. Volume on the NYSE was moderate, witb 149m shares changing hands hy early afternoon. In the secondary markets, the American SE composite dipped 0.95 to 433.55, and the Nasdaq composite slipped 2.99 at 712.67.

The commerce department triggered an early decline in share prices with its announcement that orders of durable goods had jumped 1.3 per cent last month. The reading was much stronger than analysts had expected and reinforced the prevailing wisdom that the Federal Reserve was prepared to tighten monetary policy for the fifth time since February.

Further evidence of a robust economy, in spite of the four previous rate increases, sent a shiver through the bond market, wbere the price of tbe inflation-sensitive 30-year government issue retreated by about ¾ of a point by midday.

Stocks mostly followed tbe lead of the Treasury market, but the session was complicated by the release of a fresh batcb of corporate results. With a tentative mood still prevailing, some good performances went unrewarded while the share prices of under-achievers were often marked down sharply.

Among the Dow industrial components, Disney fell into the first category. Its stock added $⅝ to $42¼, a modest gain in view of second-quarter earnings of 49 cents a share, about 3 cents above expectations.

Ford, which handily beat Wall Street's projections, fared even worse, as its stock receded $⅝ to $30⅞ amid fears that the car industry's recovery had passed its peak.

Bethlehem Steel came under the beading of under-achiever. Its share price dropped $1¼ to $20⅞ after the company posted a profit of 14 cents a share, about half of what analysts had forecast.

The uncertainty over interest rates took its toll on several other stocks sensitiva to broad economic trends. Alcoa lost $1⅞ to $78¾ and International Paper was down $1¾ at $71⅛.

A notable exception to the trend was 3M. The issue added $1¼ to $71¼ as investors responded enthusiastically to details of the company's strong second-quarter performance.

In a development unrelated to earnings news, Signet Banking climbed $2⅝, or 7 per cent, to $39⅞ after revealing plans to spin off its credit card operations as part of a broad restructuring.

The brightest star of the session was Biogen, the biotechnology concern whose shares are traded on the Nasdaq. The stock was swept 44 per cent higher to $43, a gain of $13½, as some 10m sbares were traded by early afternoon. The surge followed the company's announcement tbat clinical tests of a drug to treat multiple sclerosis had produced promising results.

Meanwhile, a rival biotech concern, Chiron, was having 6 bad day, with its share price slumping $5 to $52⅞. Wertheim Schroder downgraded the issue, citing the potential for new competition for 6 multiple sclerosis treatment marketed by the company.

Canada

Toronto stocks were easier at midday as bond markets remained under pressure from the unexpectedly high US durahle goods data. Sharp losses in most sectors overwhelmed gains in gold and precious metals and real estate.

The TSE 300 composite index was down 30.00 at 4,119.90 in midday volume of 15.2m shares.

Lac Minerals, the target of takeover hids hy American Barrick Resources and Royal Oak Mines, remained near the top of the TSE's most active list. Lac edged up C$1¼ to C$14⅞.

Mexico

Stocks rose in early trade, belped by a fall in domestic interest rates and gains by Mexican ADRs traded in New York. *The IPC index gained* 26.04, or 1.1 per cent, to 2,419.44.

Traders said that Mexican ADRs on Wall Street appeared to be rising because of positive expectations on first-half earnings due by July 31.

On Wсll Street, Telmex ADRs were up $1¼ at $59⅞ while in Mexico its L shares, which may be owned by foreigners, gained 1.19 per cent.

ICA, tbe construction company, rose 4.1 per cent after reporting a 12 per cent increase in first-half net earnings.

EUROPE

Weakness in the dollar takes its toll

Profit-taking was evident throughout much of the continent yesterday. The announcement of a *sharp* increase in June durable goods orders in the US, which added to pressure on the Fed to tighten policy, was a further disincentive late in the day.

MILAN suffered anotber sharp downturn as news of the arrest warrant issued for the brother of Mr Silvio Berlusconi further damaged the prime minister's bruised image and added to the market's uncertainties.

The Comit index, which fell 2.3 per cent on Tuesday, gave up another 14.44 or 2 per cent to 695.03.

The falls were again hroadly based. Among the telecommunications issues, Stet fell L160 or 3 per cent to L5,136 and Sip lost L74 to L4,324.

Olivetti lost L113, or 4.6 per cent, to L2,337, Montedison gave up L30 to L1,443 and Generali was Lt,015, or 2.4 per cent, lower at L41,019.

Pirelli eased L35 to L2,715 after announcing that a recently completed convertible hond issue was almost fully subscribed, bringing in fresh funds of about L993on.

Fiat fell L135 to L6,675 after the company reduced the number of workers it planned to lay off this year, as a result of better-than-expected sales of its Delta, Uno and Tipo models throughout the European market.

Imi fell L298, or 2.8 per cent, to L10,113 as the state controlled finance group said that net profits at its main operating unit rose 2.3 per cent to L207.1bn in the first half of 1994.

FRANKFURT was weaker in official hours as investors turned to sellers again after the market's recent improvement. The Dax index slipped 11.52 at 2,140.44.

Turnover was DM7.3bn.

In the Ibis the index fell further to 2,135.95.

Corporate news came to the fore. Allianz dipped DM14 to DM2,467 on *technical trading* in spite of reporting a rise in 1993 earnings.

Meanwhile, BMW was another stock to suffer at the hands of technical traders, the shares losing DM4 to DM870 as it reported a 14 per cent gain in first half group profit, which was at the top end of expectations.

Tbere were some good points, bowever: Hocbtief, for instance, rose DM10 to DM955 after announcing a contract worth some $400m for building work in the Lebanon.

ZURICH saw profit-taking by London hased investors for much of the day, hut the pressure intensified as Wall Street opened lower and US bonds were *marked down. The SMI* index gave up 59.8 or 2.3 per cent to 2,544.9, with the weaker dollar hitting blue chips.

In the chemical and pharmaceutical sector, Roche certificates gave up SFr190 to SFr5,300 and Ciba was SFr25 lower at SFr733 in response to the currency *considerations.*

Banks, awaiting next months first half figures, saw UBS lose SFr24 to SFr1,180 and CS Holding was SFr14 lower at SFr559.

Nestlé dropped SFr26 to SFr1,149 and Brown Boveri fell SFr17 to SFr1,210 francs.

Georg Fisher fell SFr65 to SFr1,470 after a local newspaper report said the company's bearer share no longer looked attractive from a technical point of view.

Ascom bucked the market's downward trend, climbing SFr20 to SFr1,700 on speculative buying.

PARIS suffered a bout of profit-taking in the absence of major corporate news. The CAC-40 index lost 21.15 or 1 per cent to 2,055.69 in low turnover of some FFr3.3bn.

Euro Disney again featured, this time with an announcement that it had cut its operating loss in the third quarter. Thge shares ended unchanged at FFr10.

MADRID slipped lower after Wall Street's weak opening. The general index gave up 0.97 to 311.18 in heavy volume of Pta44.7bn with a number of block trades seen as reinforcing the market's stability.

Telefónica dropped Pta30 or 1.6 per cent to Pta1,870 with 12.7m shares traded, most in one block trade.

OSLO was little changed overall, the All Share index adding 0.24 to 641.13, although Christiana A free shares rose NKr0.65 or 5.1 per cent to NKr13.40 in reply to the bank's *better than expected first half* results.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jul 27 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1378.87	1378.84	1379.82	1379.17	1376.69	1372.86	1370.71	1370.00
FT-SE Eurotrack 200	1417.29	1417.42	1419.00	1417.20	1414.91	1412.93	1408.30	1406.86

	Jul 26	Jul 25	Jul 22	Jul 21	Jul 20
FT-SE Eurotrack 100	1391.70	1384.93	1387.40	1371.54	1367.56
FT-SE Eurotrack 200	1424.29	1421.38	1424.29	1407.95	1407.57

Base 1000 (26/10/90) High/day: 100 - 1380.31; 200 - 1420.66 Low/day: 100 - 1369.77 200 - 1406.32

ASIA PACIFIC

Nikkei dips 1% as Hong Kong rallies

Tokyo

Arbitrage unwinding and profit-taking by overseas investors depressed share prices, and the Nikkei closed down 1 per cent after posting a small gain in tbe morning session, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index fell 208.14 to 20,137.23 after a high of 20,333.27 and a low of 20,103.92.

Traders were discouraged that the index broke a June low of 20,168, a support level.

The Topix index of all first section stocks fell 6.96 to 1,615.82 while the Nikkei 300 lost declined 1.15 to 292.81.

Losers led gainers by 748 to 261, with 158 issues remaining unchanged.

In London, the ISE/Nikkei 50 index lost 0.47 to 1,302.57.

Volume totalled 280m shares against 251m. Foreign investors continued to take profits but traders said the selling was in small lots, and tbe low volume exaggerated the index's decline. Buying by public funds supported share prices at lower levels.

High-technology blue chips continued to be sold as investors reduced tbeir exposure to high-export oriented sectors whicb are seeing their profit margins squeezed by the yen's strength. Hitachi, the most active issue of the day, fell Y16 to Y959 while Toshiba lost Y13 to Y722. Nissan Motor, which declined earlier in the week on selling hy overseas investors, rebounded Y8 to Y753, but Honda Motor lost Y10 to Y1,680.

Brokers, which are expected to be hit by the recent slump in share prices and stock market volumes, lost ground. Nomura Securities declined Y10 to Y2,220 and Nikko Securities fell Y40 to Y1,210.

Tuesday's merger announcement between *Toyo Sanso* and Taiyo Sanso, two industrial gas and oxygen makers, depressed Toyo, which ended with an offered price of Y580, down Y80 from its previous close.

Chiyoda Shigyo, an industrial paper maker which will be absorbed hy San-Mic Trading, an unlisted paper company, also failed to trade, and ended at an offered price of Y406, down by a maximum daily fall of Y100.

Speculative huying supported Misawa Resort, which gained Y150 to Y638.

In Osaka, the OSE average fell 151.46 to 22,495.40 in volume of 27.5m shares. Aoyama Trading, tbe men's suit retailer, fell Y250 to Y4,090 on profit-taking.

Roundup

The Pacific Rim had an active day with markets moving in opposite directions.

HONG KONG rose strongly on buying related to index futures and options and the Hang Seog index jumped 207.82 or 2.3 per cent to 9,402.18 in turnover tbat improved to HK$4.36bn from HK$2.46bn on Tuesday.

The positive government land sale results, which failed to inspire investors on Tuesday, boosted tbe market as both institutional and local investors became active buyers.

Brokers attributed a strong performance in the banking sector to the 38.3 per cent jump on *interim income reported* by HSBC Holdings' Marine Midland subsidiary. HSBC put on HK$2.00 to HK$91.75 and Hang Seng Bank rose HK$1.00 to HK$54.75.

Tbe properties sector was the biggest gainer with the sub index rising about 3.4 per cent.

SHANGHAI's A share index plunged 5 per cent as investors casbed in shares when It became clear that the rally of the previous two days was not sustainable.

The index lost 19.30 to 370.13 in beavy turnover of Yn849m.

In Shenzhen, A shares were hit even harder with the index plummeting 6.3 or 5.8 per cent, to 100.87.

The Shanghai A index had gained about 7 per cent since Monday, recovering much of the ground lost last week. But selling set in as soon as the market opened yesterday.

TAIPEI was dragged back from Tuesday's four year high by waves of profit-taking, and brokers forecast that the consolidation was likely to continue in the near term. The weighted index lost 65.88 or 1 per cent to 6,663.34 in turnover that fell to T$90.54bn.

Some buying was in selected industrials, witb the most active issue, China Petrochemical, up 50 cents to T$37.4, but sentiment was cautious as the market had been overbought in previous days, brokers said.

MANILA rose 2 per cent on the back of heavy foreign buying of blue chips and selected second-liners which are expected to post good second quarter profits.

The composite index soared 56.07 to 2,784.60 in volume that picked up to 989.93m shares.

KUALA LUMPUR was pulled 1.2 per cent higber for the fourtb consecutive day by institutional demand for blue chips, although late profit-taking flattened out earlier gains for the broader market.

The composite index ended up 11.88 at 1,020.19.

BANGKOK was higher in active trade fuelled by institutional buying of the communications, finance and banking sectors. The SET index rallied 21.14 or 1.6 per cent, to 1,367.64, sligbtly off the day's high of 1,368.20. Turnover was a heavy Bt10.76bn.

Krung Thai Bank gained Bt2 to Bt66 and Prime Finance put on Bt6 to Bt173.

SEOUL edged lower in quiet conditions with the news that the central bank would require investment trust companies to repay their 850bn won of outstanding loans by August 12 dampening sentiment towards the close, brokers said.

The composite index closed 0.96 lower at 934.22.

SYDNEY took the release of low inflation data in its stride, closing slightly firmer after lingering in a tight six-point trading range. The All Ordinaries index finished 0.4 ahead at 2,041.7.

Gencor makes gains on Billiton purchase

Gold sbares, platinum and mining financials were the feature's of the day as the price of bullion continued to strength. Industrials edged firmer on the generally improved sentiment.

The overall index added 51 to 5,659, the industrial index 10 to 6,457 and the gold 62 or 3 per cent to 2,146.

Among tbe most actives Gencor ended 35 cents higher 6t R12.25 in heavy volume, having seen 6 day's high of R12.40 in the first balf hour of tbe day as investors reacted favourably to its planned purchase of the Billiton assets from Royal Dutch/Shell.

Platinum strength boosted Rusplats by R7 to R107 and Impala added R4 to R102.

Engen gained 15 cents to R35.25 following news that it would buy Gencor's stake in the Alba oil field.

Elsewbere De Beers put on R1 to R111.50 and Anglos R2.50 to R239.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: July 22 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: July 22 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	608.68	-0.6	-13.0			
Argentina	(25)	868.18	-1.7	-12.7	531,763.97	-1.8	-12.8
Brazil	(57)	276.21	-1.5	+18.7	1,033,528,990	-1.5	+917.0
Chile	(25)	634.53	-3.6	+15.0	1,070.87	-3.1	+12.3
Colombia[1]	(11)	961.42	+0.1	+49.1	1,392.00	-0.5	+50.2
Mexico	(68)	827.82	+0.7	-17.7	1,215.96	+0.8	-9.9
Peru[2]	(11)	139.10	+2.9	+15.0	186.71	+2.9	+17.4
Venezuela[3]	(12)	460.28	-12.0	-22.2	1,798.79	-12.0	+26.6
Asia	(557)	245.02	-0.2	-15.6			
China[4]	(18)	90.51	-0.4	-39.4	98.76	-0.4	-39.8
South Korea[5]	(156)	126.80	-1.6	+7.3	134.16	-1.8	+6.9
Philippines	(18)	276.98	+4.4	-18.7	350.17	+5.4	-21.2
Taiwan, China[6]	(90)	147.77	+1.4	+9.3	147.45	+1.1	+10.2
India[7]	(76)	131.56	-1.1	+12.9	145.48	-1.1	+12.9
Indonesia[8]	(37)	97.50	-0.0	-21.8	114.63	-0.2	-19.5
Malaysia	(105)	268.26	-0.5	-21.5	254.57	-0.7	-24.5
Pakistan[9]	(15)	392.91	+0.3	+1.3	544.58	+0.3	+3.1
Sri Lanka[10]	(5)	161.80	-0.4	+2.6	194.53	-0.3	+1.9
Thailand	(55)	383.33	-0.1	-19.7	380.06	-0.1	-21.3
Euro/Mid East	(125)	110.95	-3.8	-34.5			
Greece	(25)	210.15	-2.4	-7.7	343.70	-0.2	-10.8
Hungary[11]	(5)	185.11	-1.1	+11.1	226.87	+0.6	+12.4
Jordan	(13)	166.52	+4.6	+0.6	238.69	+4.0	-1.1
Poland[12]	(12)	687.38	+4.8	-18.0	984.10	+6.3	-10.9
Portugal	(25)	114.98	-1.4	+1.0	129.61	+1.1	-6.2
Turkey[13]	(40)	104.94	-7.6	-50.6	1,554.74	-6.3	+6.9
Zimbabwe[14]	(5)	239.84	+1.5	+18.7	284.76	+1.4	+33.3
Composite	(891)	309.66	-0.6	-13.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

In its recent change of asset allocation among the Asian markets, Nomura Research has increased its weighting in Korea to 2 per cent. This is no surprise. Other brokers have also gone for the country, notably Barings, which also rates north-east Asia in preference to south-east Asia, based mainly on liquidity grounds. However, Barings favours Latin America above all, pointing to its strength in natural resources. Foreign & Colonial *is another favourite of Korea, emphasising that over the past month* or so earnings estimates for Korean companies for 1994 have been significantly increased. Companies haver benefited from rising exports and stronger domestic sales, they add, while interest rates have fallen.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JULY 26 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 25 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	173.46	-0.3	168.55	107.45	143.07	155.15	-0.3	3.66	173.93	168.08	108.57	143.32	155.62	189.15	138.56	138.56
Austria (17)	186.89	0.5	181.60	115.78	154.15	154.09	0.7	1.04	185.94	179.68	116.07	153.21	153.08	195.41	155.68	159.52
Belgium (37)	172.41	0.3	167.53	106.80	142.20	138.91	0.4	3.98	171.92	166.13	107.31	141.65	138.30	176.67	143.62	147.23
Canada (105)	127.00	-0.5	123.40	78.67	104.75	126.89	-0.4	2.67	127.61	123.32	79.66	105.15	127.39	145.31	120.54	124.16
Denmark (33)	270.39	-0.9	262.74	167.50	223.02	229.32	-0.7	1.29	272.87	263.78	170.39	224.92	231.01	275.79	207.56	206.66
Finland (24)	160.06	1.4	165.55	99.17	132.03	175.42	1.0	0.80	157.81	152.50	98.51	130.03	173.61	160.06	95.82	95.82
France (97)	177.06	0.8	172.05	109.69	146.04	150.42	0.8	2.92	175.60	169.69	109.61	144.69	149.21	185.37	152.03	152.62
Germany (58)	143.66	0.4	139.59	88.99	118.49	118.49	0.5	1.76	143.12	138.31	89.34	117.93	117.93	147.07	112.69	116.89
Hong Kong (56)	373.90	0.3	363.31	231.62	308.40	370.83	0.3	3.26	372.91	360.37	232.78	307.28	369.86	506.56	275.99	275.99
Ireland (14)	197.61	-0.9	192.02	122.41	162.99	184.77	-0.3	3.30	199.32	192.62	124.42	164.24	185.25	209.33	157.93	157.93
Italy (61)	86.12	-2.7	83.68	53.35	71.03	101.73	-2.4	1.49	88.54	85.56	55.27	72.95	104.27	97.78	57.86	67.81
Japan (469)	164.91	0.8	160.24	102.16	136.02	102.16	0.1	0.75	163.57	158.06	102.10	134.78	102.10	170.10	124.54	150.39
Malaysia (98)	475.61	0.5	462.15	294.63	392.28	475.02	0.6	1.72	473.41	457.48	295.51	390.08	472.41	621.63	345.09	345.85
Mexico (18)	1968.75	0.8	1913.00	1218.58	1623.82	7330.22	0.8	1.82	1953.75	1888.00	1219.55	1609.83	7274.38	2647.08	1573.95	1573.95
Netherland (27)	207.16	-0.2	201.29	128.33	170.87	168.27	0.0	3.38	207.64	200.66	129.61	171.09	168.30	207.64	166.51	166.51
New Zealand (14)	68.48	0.0	66.54	42.42	56.48	60.14	-0.1	3.98	68.49	68.19	42.75	56.44	60.17	77.59	52.45	52.45
Norway (23)	206.45	-0.1	200.60	127.89	170.28	193.65	0.0	1.71	206.62	199.67	128.97	170.25	193.72	207.35	157.21	157.65
Singapore (44)	345.31	0.2	335.54	213.91	284.82	240.32	0.2	1.75	344.71	333.12	215.18	284.04	239.74	378.92	250.05	252.82
South Africa (59)	288.90	1.4	280.72	178.95	238.28	286.99	0.8	2.16	284.89	275.30	177.83	234.74	284.56	292.64	175.93	204.06
Spain (42)	145.13	1.9	141.02	89.90	119.70	143.37	1.9	4.02	142.37	137.58	88.87	117.31	140.68	155.79	116.33	118.07
Sweden (36)	220.55	1.1	214.31	136.62	181.91	252.85	0.4	1.58	218.06	210.73	136.12	179.68	251.89	231.35	170.16	172.41
Switzerland (47)	158.05	-0.2	153.58	97.91	130.36	132.04	0.1	1.84	158.34	153.01	98.84	130.48	131.88	176.55	125.68	125.68
United Kingdom (204)	194.00	-0.1	188.50	120.16	160.01	188.50	0.4	4.01	194.26	167.73	121.26	160.07	187.73	214.96	173.81	173.81
USA (519)	185.11	-0.2	179.87	114.67	152.68	185.11	-0.2	2.90	185.49	179.25	115.78	152.84	185.49	196.04	178.95	183.62
EUROPE (720)	170.88	0.0	166.02	105.84	140.93	155.55	0.3	2.99	170.81	165.06	106.62	140.74	155.11	178.58	144.29	144.29
Nordic (116)	216.53	0.6	210.40	134.13	178.59	212.59	0.2	1.40	215.26	208.02	134.37	177.37	212.21	220.60	161.84	162.40
Pacific Basin (749)	172.50	0.7	167.62	106.86	142.28	111.97	0.1	1.07	171.27	165.51	106.91	141.12	111.89	176.86	134.79	153.74
Euro-Pacific (1469)	171.68	0.4	166.82	106.35	141.60	129.25	0.2	1.87	170.96	165.19	106.71	140.86	129.04	173.89	143.68	149.75
North America (624)	181.50	-0.2	176.36	112.44	149.70	181.11	-0.2	2.89	181.90	175.78	113.54	149.88	181.50	192.73	175.67	180.13
Europe Ex. UK (516)	154.47	0.1	150.09	95.69	127.40	135.62	0.2	2.39	154.27	149.08	96.30	127.11	135.33	157.47	125.65	125.74
Pacific Ex. Japan (280)	248.39	0.1	241.35	153.86	204.67	221.68	0.1	2.91	248.05	239.71	154.84	204.39	221.36	296.21	187.16	187.16
World Ex. US (1651)	172.62	0.4	167.73	106.93	142.38	132.55	0.2	1.90	171.88	166.10	107.29	141.62	132.33	174.76	145.58	150.32
World Ex. UK (1966)	173.97	0.2	169.04	107.77	143.49	145.08	0.0	2.06	173.54	167.70	108.33	142.99	145.08	175.59	155.96	159.25
World Ex. So. Af. (2111)	175.04	0.2	170.09	108.43	144.38	147.98	0.0	2.24	174.70	168.82	109.05	143.95	147.91	178.56	158.54	160.36
World Ex. Japan (1701)	183.75	-0.1	178.55	113.83	151.56	176.19	0.0	2.90	183.86	177.68	114.77	151.50	176.14	195.20	167.85	167.66
The World Index (2170)	175.75	0.2	170.77	108.87	144.96	148.99	0.0	2.24	175.38	169.48	109.47	144.51	148.93	178.97	158.85	160.55

Latest prices were unavailable for this edition.